MASTER
NEGATIVE
NO. 94-82139-8

COPYRIGHT STATEMENT

The copyright law of the United States (Title 17, United States Code) governs the making of photocopies or other reproductions of copyrighted materials including foreign works under certain conditions. In addition, the United States extends protection to foreign works by means of various international conventions, bilateral agreements, and proclamations.

Under certain conditions specified in the law, libraries and archives are authorized to furnish a photocopy or other reproduction. One of these specified conditions is that the photocopy or reproduction is not to be "used for any purpose other than private study, scholarship, or research." If a user makes a request for, or later uses, a photocopy or reproduction for purposes in excess of "fair use," that user may be liable for copyright infringement.

The Columbia University Libraries reserve the right to refuse to accept a copying order if, in its judgement, fulfillment of the order would involve violation of the copyright law.

Author:
Hydraulic society

Title:
"Management and the high cost of living"

Place:
[New York]

Date:
[1919]

94-82139-8
MASTER NEGATIVE #

COLUMBIA UNIVERSITY LIBRARIES
PRESERVATION DIVISION

BIBLIOGRAPHIC MICROFORM TARGET

ORIGINAL MATERIAL AS FILMED - EXISTING BIBLIOGRAPHIC RECORD

BUSINESS
262
H99

Hydraulic society.
"Management and the high cost of living" as developed at the meetings of the Hydraulic society and the Compressed air society, September 25-26, 1919 at Lafayette hotel, Buffalo, N. Y. [New York, 1919]
cover-title, A-D, 44-H, 26-C-32-C numb. l. 28cm.

Reproduction of typewritten copy.

RESTRICTIONS ON USE:

TECHNICAL MICROFORM DATA

FILM SIZE: 35mm REDUCTION RATIO: 12x IMAGE PLACEMENT: (IA) IIA IB IIB

DATE FILMED: 6-22-94 INITIALS: PB

TRACKING # : MSH 01367

FILMED BY PRESERVATION RESOURCES, BETHLEHEM, PA.

2.0 mm ABCDEFGHIJKLMNOPQRSTUVWXYZ
abcdefghijklmnopqrstuvwxyz1234567890

1.5 mm ABCDEFGHIJKLMNOPQRSTUVWXYZ
abcdefghijklmnopqrstuvwxyz1234567890

PM-MGP 13″x18″
METRIC GENERAL PURPOSE TARGET
PHOTOGRAPHIC

150 mm

100 mm

A5

A4

1.0 mm ABCDEFGHIJKLMNOPQRSTUVWXYZ
abcdefghijklmnopqrstuvwxyz1234567890

1.5 mm ABCDEFGHIJKLMNOPQRSTUVWXYZ
abcdefghijklmnopqrstuvwxyz1234567890

2.0 mm ABCDEFGHIJKLMNOPQRSTUVWXYZ
abcdefghijklmnopqrstuvwxyz
1234567890

2.5 mm ABCDEFGHIJKLMNOPQRSTUVWXYZ
abcdefghijklmnopqrstuvwxyz
1234567890

PRECISION℠ RESOLUTION TARGETS

Century A&P

1303 Geneva Avenue
St. Paul, MN 55119

4.5 mm ABCDEFGHIJKLMNOPQRSTUVWXYZ
abcdefghijklmnopqrstuvwxyz
1234567890

ABCDEFGHIJKLMNOPQRSTUVWXYZ

"MANAGEMENT AND THE HIGH COST OF LIVING"

as developed at the meetings of

THE HYDRAULIC SOCIETY

and

THE COMPRESSED AIR SOCIETY

September 25 - 26, 1919

at

Lafayette Hotel, Buffalo, N. Y.

D262 H99

Columbia University
in the City of New York

LIBRARY

School of Business

Dec. 10, 1919

(A)

"MANAGEMENT AND THE HIGH COST OF LIVING"

THE HYDRAULIC SOCIETY
President - C. W. Pank,
Vice-Pres't, Fairbanks, Morse
& Co., Chicago.

THE COMPRESSED AIR SOCIETY
President - George Doubleday,
President, Ingersoll-Rand Co.,
New York.

Offices of the two Societies:

30 Church Street, New York.

After November 1, 1919:

450 Fourth Avenue, New York.

C. H. ROHRBACH,
Secretary.

COLUMBIA
UNIVERSITY
LIBRARY

To enable the recipients of this record who are not members of the two Societies to identify the participants in the discussions, a list of those present at the two meetings is given below:

THE HYDRAULIC SOCIETY - SEPTEMBER 25, 1919

Anderson, L. B., Sec. & Treas.,
Advance Pump & Compressor Co.,
Battle Creek, Mich.

Cone, J. D., Ass't. Gen'l. Sales Manager,
A. S. Cameron Steam Pump Works, New York.

Emeny, F. J., Chief Engineer,
The Deming Co., Salem, Ohio

Fishwick, E. T., General Sales Manager,
Worthington Pump and Machinery Corp., New York.

Gardner, J. W., President
Gardner Governor Co., Quincy, Ill.

Hall, R. E., Vice President,
The Goulds Manufacturing Co., Chicago.

Hartlieb, J. F., Vice President,
Platt Iron Works, Dayton, Ohio.

Heermans, T. M., Hydraulic Department,
Allis-Chalmers Manufacturing Co., Milwaukee, Wis.

McHugh, A. L., Chief Engineer,
The Goulds Manufacturing Co., Seneca Falls, N. Y.

Newton, N. A., Sales Manager,
National Transit Pump & Machine Co., Oil City, Pa.

Nye, R. G., Production Manager,
Buffalo Steam Pump Co., Buffalo, N. Y.

Pank, C. W., Vice President,
Fairbanks, Morse & Co., Chicago.

Peterson, A. G., Sales Manager,
Buffalo Steam Pump Co., Buffalo, N. Y.

Raynolds, W. M.,
Worthington Pump and Machinery Corp., Holyoke, Mass.

Wall, J. W., Secretary
Gardner Governor Co., Quincy, Ill.

Watson, H. L., Sales Manager
DeLaval Steam Turbine Co., Trenton, N. J.

Wendt, Edgar F.,
Buffalo Steam Pump Co., Buffalo, N. Y.

Wendt, H. W., Treasurer
Buffalo Steam Pump Co., Buffalo, N. Y.

West, E. D., General Sales Department,
Fairbanks, Morse & Co., Chicago.

Witmer, R. C., General Manager,
Blake Pump & Condenser Co., Fitchburg, Mass.

THE COMPRESSED AIR SOCIETY - SEPTEMBER 26, 1919

Albin, L. D., General Sales Manager,
Ingersoll-Rand Co., New York

Blackwood, A. E., Manager,
Sullivan Machinery Co., New York

Copeland, F. K., President,
Sullivan Machinery Co., Chicago

Dean, H. L., Manager Compressor & Engine Sales Division,
Chicago Pneumatic Tool Co., Chicago

Feldbash, H. A.,
Worthington Pump & Machinery Corp., Cincinnati

Gardner, J. W., President
Gardner Governor Co., Quincy, Ill.

Jones, F. H., Vice President
Worthington Pump and Machinery Corp., New York

Kiefer, R. A., Manager
Gardner Governor Co., New York

Miller, H. H., Manager Laidlaw Sales,
Worthington Pump and Machinery Corp., Cincinnati

Pressinger, W. P., Vice President
Chicago Pneumatic Tool Co., Chicago

Reynolds, I. H., Manager Engine Department,
Allis-Chalmers Manufacturing Co., Milwaukee

Roach, E. S., Secretary-Treasurer
Bury Compressor Co., Erie, Pa.

Wall, J. W., Secretary
Gardner Governor Co., Quincy, Ill.

Walsh, H. T., General Sales Manager
Sullivan Machinery Co., Chicago

C. H. Rohrbach, Secretary

30 Church Street, New York

after November 1, 1919: 450 Fourth Avenue, New York

President Pank: Gentlemen, I think that the Plan and Scope Committee and the Secretary have planned something---the President has not been taken into their confidence. The heading appearing before me is "Management." I find that the Plan and Scope Committee and the Secretary are certainly managing the Society. So, Mr. Secretary, perhaps you can enlighten us as to what is expected under this heading.

Secretary Rohrbach: Mr. Chairman and Gentlemen, a month or so ago the Plan and Scope Committee of the Compressed Air Society had a meeting, at which time Mr. Jones brought up what he thought would be a very good topic for our next meeting; and your Plan and Scope Committee agreed with him that it was a live topic for discussion. I christened it "Management and the High Cost of Living", so as to have a concrete heading for our program.

TERMS DEFINED

In talking the proposition over, Mr. Jones and Mr. Albin defined the business situation today as being one where there are really three partners in every individual business.

First, there is, of course, "Capital"---capital is getting a certain return which, in most cases, has been augmented by war conditions and the subsequent train of high prices, so that, as a general proposition, looking at the industrial situation as a whole, you will find that the return on capital has gone up relatively as much as general living expenses have gone up.

The next division or partner they defined as "Labor"---meaning by that all parts of the personnel of an organization that come under the daily wage plan of payment. Labor, as the discussion we have just had and as can be seen from the news of the day, is getting its own, and some may think more than getting its own.

The third partner is the remaining personnel, not included under "Labor", and which we have termed "Management". That takes in everybody not already covered, from the office boy up to the President.

However, as this problem is being considered nowadays by students of the subject, and economists, a fourth partner is added, that is, the "Public".

The Committee on Industrial Relations of the Community Council of New York City, for example, had a meeting last week, and a representative of the public on that Committee was some wellknown lady in New York City, who according to the published accounts, offered three out of the five resolutions that were passed relative to profit-sharing and giving the public and labor a voice in the management of business.

The papers also stated that it was unanimously decided to suggest to the President that the Community Councils offered the most effective instrumentality for evoking co-operation in doing away with industrial unrest in the country.

Now, when we speak of "the public", in connection with this problem, I had the point brought home very forcibly, in talking to the president of a large corporation, last week, that it also is participating in the division of profits. I don't know just exactly how big his company is, but he showed me his published balance-sheet for last year, which indicated profits of something like nine or ten million dollars---and the Government took out of that over six million dollars for war taxes. So clearly the public, as represented by the Government, is getting its share in the profits of business, and really does not need any consideration in the proposition as we have started out to discuss it here today.

And to return to the Community Council's plea for profit-sharing between Capital and Labor, in this particular case after the Government took out over six million dollars, it left something like three million dollars---and judging by the size of the balance-sheet, the company must certainly have a pretty big investment in plant and inventory to be able to produce a profit like that. Suppose it was thirty or forty million dollars, if you figure a fair return to capital on an investment of that sort, even though you place it at not more than six percent, there is not a whole lot left to divide, among probably 5000 or 6000 workers. That is just one of many different angles coming into that situation that people do not take into consideration when they discuss profit-sharing, which is done so often from the viewpoint of dividing up somebody else's profits.

Mr. Felt, President of the Illinois Manufacturers' Association, has characterized such discussions very aptly as "College-made Utopias". Under that title he has published a pamphlet on the industrial situation, in which he brings out quite forcibly the need for consideration of "Management" in business, and its relative importance in the scale of industry.

The term "High Cost of Living" hardly needs to be specifically defined. Everyone is acutely familiar with it and has first hand knowledge of what it implies.

But that is the proposition as it had been outlined by your Plan and Scope Committees: "What can be done, or what is being done, for "Management", today, to meet this high cost of living situation?"

SCOPE OF INVESTIGATION

To bring the thing onto some concrete basis, I sent out a circular letter and questionnaire to about three hundred representative concerns in all branches of industry throughout

the United States, so as to get as general an expression of opinion on the subject as possible. To help you get a better understanding of the answers that I have gotten on this thing, I want to read you this letter. (Reads)

"The outstanding feature of business today is the industrial relations situation---in many industries it is coming to the point where the manufacturer is seriously considering shutting up shop or turning the plant over to the workers.

"But in the heat of the struggle to meet the ever increasing demands of "Labor", what is being done for "Management", under which term is included that vast body of workers---clerks, stenographers, bookkeepers, salesmen, and on up to, in many cases, the higher executives of an organization---who, unorganized, and in sharp contrast to the wage workers, have been "left at the post", so to speak: who are suffering severely---and, as a rule, uncomplainingly---in the effort to make ends meet; who are witnessing the humiliating spectacle of seeing even the most ordinary forms of manual labor being paid far in excess of what trained brain workers can command---are they to be left to work out their own salvation?

"Do business men want to drive the right arm of "Management" into the folds of organized labor? Already there are signs pointing in that direction---witness the report of a recent strike of newspaper men in Boston, and the meeting which it is said has been held in New York to consider organizing some of the classes of office help.

"Some of the manufacturers in the two national trade organizations which I represent are keenly interested in the solution of this problem, and I earnestly request your help to the extent of replying to some or all of the questions on the accompanying sheet.

"If you are interested---and every manufacturer is vitally interested in the answer---I will be glad to send you a summary of the information that may be developed."

(QUESTIONNAIRE)

"1. What forms of bonuses, profit-sharing, stock ownership, or other special monetary considerations, do you practice, and how much is thereby added to the income of the salaried employes, stated in percentages of 1914 incomes?

"2. Do you help these employes in any other ways, such as making loans to them so that they can make an initial payment on a home, and thereby reduce their rental expense; or for the discharge of doctors' bills, funeral expenses, or similar burdens which tend to lower their efficiency through worriment; giving them the benefits of wholesale buying, etc.?

"3. Considering only regular salaries or compensation, what average percentage of increase over 1914 figures are you paying to Managers of Sales, Finance, and the higher Executives?

"4. To their Assistants, coming within the Executive Class?

"5. To Salesmen?

"6. To general office workers, clerks, stenographers, bookkeepers, etc.?

"It is sincerely hoped that you will not consider these questions as being an attempt to pry into your business family affairs, but will give them due consideration in a patriotic co-operative attempt to help a large number of your fellow business men."

One of the answers criticized the first paragraph of my letter as being too pessimistic. Yet only last week the New York papers published an account of a large jewelry manufacturing concern (Goldsmith, Stern & Company) having offered to turn their plant over to the workers. The workers had struck for higher wages, which Mr. Goldsmith absolutely could not grant because his sales had been made six months ahead, on the basis of production costs that had been agreed upon with the men and as a compromise he offered to turn the plant over to them, but they refused to accept it which goes to show that my statement is not very much overdrawn.

With reference to the third paragraph of my letter, the papers quite recently have published reports to the effect that the bank clerks in New York have organized a union and are formulating demands upon their employers, with the alleged threat of a strike if the supposed demands are not granted.

The questions you will note were of a rather personal nature, and it was to be expected that a good many concerns would not see their way clear to answer them and probably others did not have the time. But the response really has been remarkable.

For example, I have a letter here from a concern that is the leader in its branch of industry, which says: "Your letter was referred to at a recent meeting of our Board of Directors and had the interested attention of the members present."

There were quite a number of cordial replies, and many of them gave, as fully as they could, just the information that I asked for in this questionnaire. To enable you and the concerns to whom a copy of this record will be sent to give due weight to the data I have collected, I will give the names of those who have replied. They are as follows:

H. M. Wallis, President, J.I.Case Plow Works Co., Racine, Wis.
J. C. Hobart, President, The Triumph Electric Co., Cincinnati, O.
George H. Barbour, President, The Michigan Stove Co. of Detroit
C. L. Sebring, President, The Sebring Pottery Co., Sebring, O.
E. T. Bedford, President, Corn Products Refining Co., New York
Geo. W. Gair, President, Robert Gair Company, Brooklyn, N. Y.
Arthur T. Davenport, General Manager, Sweet-Orr & Co. Inc., N. Y.
Frank L. Severance, Treasurer, Irving-Pitt Mfg. Co., Kansas City
Chester E. Rahr, Vice President, The Flintkote Co., Boston, Mass.
Ernest E. Bell, Vice President, The Hydraulic Pressed Steel Co. Cleveland, O.
F. H. Dodge, Director of Sales, Burroughs Adding Machine Co., Detroit, Mich.
T. F. James, General Sales Manager, Brown Shoe Co., St. Louis, Mo.
L. Upham, Asst. Treasurer, The American Thread Co., New York
W. H. Cameron, Manager Industrial Relations, Eastman Kodak Co., Rochester, N. Y.
H. E. Squier, Dept. of Education, Ford Motor Co., Detroit, Mich.
Burt Bros. Philadelphia, Pa.
W. W. Anderson, Office Manager, Thomas Maddock's Sons Co. Trenton, N. J.
Chas. Molloy, Manager Industrial Relations, The Solvay Process Co., Syracuse, N. Y.
W. I. Clark, Service Director, Norton Company, Worcester, Mass.
C. L. Rossiter, Underwood Typewriter Co., New York
F. M. Stowell, President, The Northwestern Knitting Co. Minneapolis, Minn.
H. D. Whittlesey, Vice President, The Sherwin-Williams Co., Cleveland, O.
Edward Prizer, President, Vacuum Oil Co., New York
Paul H. Nystrom, Sales Manager, International Magazine Co., N.Y.
I. N. Haughton, Secretary, The Haughton Elevator & Machine Co., Toledo, Ohio
J. E. Frederick, Secretary, Kokomo Steel & Wire Co., Kokomo, Ind.
F. R. Shepard, Vice President, General Baking Co., Boston, Mass.

References were made in the discussion to the following publications:

"Profit-sharing in the United States" published By the Department of Labor - Bulletin No. 208

"Abrief account of the Educational Work of the Ford Motor Company" published by that Company under date of Dec. 12, 1916.

"Profit-Sharing Plan" Bulletins published by the Underwood Typewriter Co.

"The Text of the Larkin Company's Offer to Its Employees" published in Printers' Ink issue of Sept. 18, 1919.

H. M. Wallis, President, J.I.Case Plow Works Co., Racine, Wis.
J. C. Hobart, President, The Triumph Electric Co., Cincinnati, O.
George H. Barbour, President, The Michigan Stove Co. of Detroit
C. L. Sebring, President, The Sebring Pottery Co., Sebring, O.
E. T. Bedford, President, Corn Products Refining Co., New York
Geo. W. Gair, President, Robert Gair Company, Brooklyn, N. Y.
Arthur T. Davenport, General Manager, Sweet-Orr & Co. Inc., N. Y.
Frank L. Severance, Treasurer, Irving-Pitt Mfg. Co., Kansas City
Chester E. Rahr, Vice President, The Flintkote Co., Boston, Mass.
Ernest E. Bell, Vice President, The Hydraulic Pressed Steel Co. Cleveland, O.
F. H. Dodge, Director of Sales, Burroughs Adding Machine Co., Detroit, Mich.
T. F. James, General Sales Manager, Brown Shoe Co., St. Louis, Mo.
L. Upham, Asst. Treasurer, The American Thread Co., New York
W. H. Cameron, Manager Industrial Relations, Eastman Kodak Co., Rochester, N. Y.
H. E. Squier, Dept. of Education, Ford Motor Co., Detroit, Mich.
Burt Bros. Philadelphia, Pa.
W. W. Anderson, Office Manager, Thomas Maddock's Sons Co. Trenton, N. J.
Chas. Molloy, Manager Industrial Relations, The Solvay Process Co., Syracuse, N. Y.
W. I. Clark, Service Director, Norton Company, Worcester, Mass.
C. L. Rossiter, Underwood Typewriter Co., New York
F. M. Stowell, President, The Northwestern Knitting Co. Minneapolis, Minn.
H. D. Whittlesey, Vice President, The Sherwin-Williams Co., Cleveland, O.
Edward Prizer, President, Vacuum Oil Co., New York
Paul H. Nystrom, Sales Manager, International Magazine Co., N.Y.
I. N. Haughton, Secretary, The Haughton Elevator & Machine Co., Toledo, Ohio
J. E. Frederick, Secretary, Kokomo Steel & Wire Co., Kokomo, Ind.
F. R. Shepard, Vice President, General Baking Co., Boston, Mass.

References were made in the discussion to the following publications:

"Profit-sharing in the United States" published By the Department of Labor - Bulletin No. 208

"Abrief account of the Education/al Work of the Ford Motor Company" published by that Company under date of Dec. 12, 1916.

"Profit-Sharing Plan" Bulletins published by the Underwood Typewriter Co.

"The Text of the Larkin Company's Offer to Its Employees" published in Printers' Ink issue of Sept. 18, 1919.

Profit Sharing Plans described by George W. Perkins at a meeting of the National Civic Federation of New York on Sept. 11, 1919.

"College Made Utopias and Labor Unrest" published by Dorr E. Felt, President, Felt & Tarrant Mfg. Co., Chicago, June 24, 1919.

Proctor & Gamble Company's Plan described in Printers' Ink issue of March 27, 1919 and the October, 1919, number of the American Magazine.

The Solvay Process Co.'s Pamphlet on Profit Sharing, Pensions, Mutual Aid and Welfare Works, published Jan. 1, 1915.

"Salaried Men and High Living Costs" by E. T. Bedford, President, Corn Products Refining Co., published in New York Times Aug. 17, 1919.

NOTE: The following additional references may prove helpful to anyone desiring to go further into the subject of profit sharing, bonuses, etc.:

"The Other Side of Profit Sharing" by Wm. R. Basset, President, Miller, Franklin, Basset & Co. published in "System" for August 1919.

Articles by James A. Farrell, President, U. S. Steel Corporation, and Boyd Fisher, published in "System" March and April, 1916.

The Hilo Varnish Corporation Plan -	Printers' Ink	2/27/19
Dayton Engineering Laboratory Co.Plan	" "	6/19/19

Sears, Roebuck & Co. Chicago Consolidated Gas Co., N. Y. Endicott, Johnson & Co.,Endicott,N.Y. Morris & Co., Chicago S. W. Strauss & Co., N.Y. American Woolen Co. Home Building Plan	Plans reviewed at various times in the New York Times and other papers.

It would hardly add to the interest of the discussion if I read the letters that I have received, with the exception of one or two cases where the writers have been apparently students of the subject. As a matter of record, and for convenient future reference, I will incorporate in the report those letters that have contributed to the fund of information that I have collected.

No doubt most of you have seen the advertisements that the Hydraulic Pressed Steel Company ran in "The Saturday Evening Post", in which they advocated a square deal and the need for co-operation between Capital, Labor and Management. I have reprints of them here, if anyone should want to look at them.

Mr. Bell, Vice President of that concern, whom I happen to know, wrote me that it would be pretty hard for him to go into details such as I have asked, but as he and his co-workers have gone at the root of the entire industrial relations problem, and as it is patent that they are on the right track in their efforts to solve it, any expressions from them deserve our most careful attention. I am therefore going to take the liberty of reading Mr. Bell's letter, believing that he will not object to my doing so, even though it does reveal some rather intimate Hydraulic family matters. (Reads)

"To go into details of the questions which are suggested in your communication of August 30th would make a volume. To recite the experiences of the Hydraulic, develop the thinking which has been done on the part of Hydraulic management and support the conclusions which have been reached, would mean another volume.

"Personally, I should like very much to help you in connection with the questionnaire. The Hydraulic Company would like to help you, but your questions cover a very broad scope of operation, and one of the difficulties in connection with attempts and failures to meet this situation is due to the fact that so many firms try to do the material thing without taking into consideration the psychology of the problem and the necessary education of both factors - those who invest their money and those who invest their labor - to a full appreciation of the rights, the worth of each other, their dependence upon each other and the element of human equity and justice, which must prompt everything which is done in this connection in order to make it a success.

"In an attempt to cover your questions briefly, workers in the Hydraulic are divided into three classes - those who invest their capital, those who invest their brains and those who invest their brawn. Those who invest their brains, and these include all who through right thinking and the application of better thinking to their work can increase profits, that is, down to the unit bosses in the shop, are sharers in the profits. They all have opportunity to purchase Hydraulic stock, and their share in the profits may be used in payment for this stock or not, just as the individual may elect, but it is simply impossible, Friend Rohrbach, for me to go into this whole problem by letter. There is bonus, profit sharing, there is opportunity for stock ownership, which adds from 50 to 100% to the salary income of the managerial and operating class .

"Regarding Question No.2, there is a Mutual Benefit Association which takes care of sick benefits, death benefits, doctor bills, funeral expenses, and has a Building and Loan adjunct from which employes can borrow in the purchase of homes.

"It would mean reference to our Accounting Department and considerable figuring to determine an accurate answer to your third question.

"Sales managers, salesmen, office workers, clerks, stenographers, bookkeepers, etc., are all included in the distribution of profit bonuses.

"Trusting that this may help you, but with full knowledge that it cannot help you very much without getting the true spirit of the proposition in the minds of every institution who takes work of this character, I would refer you for further information

to the reprints of copy which has recently appeared in some of the popular weeklies over the signature of The Hydraulic Pressed Steel Company, and to an interview with our President, Mr. James H. Foster, which appeared in the issue of Printers' Ink under date of July 31st.

Yours very truly,

(Signed) Ernest E. Bell,
Vice President."

There was also a very comprehensive letter from a large eastern manufacturer who criticised the pessimistic tone of my communication. He also has evidently made a study of the problem of human relations in business, and has contributed thoughts of such value that I will read his communication to you. (Reads)

"I will attempt a general reply to yours of the 30th ult., but the brevity with which I am compelled to write will result in rather a superficial summary.

"I do not believe that there is a single instance where industrial relationships between the executive and production forces have awakened serious thought on the point of turning a plant over to the workers for operation. There are such happenings in far-eastern Europe and leanings to the idea have appeared in southern Europe, but in this country there are not four instances where the experiment has been tried, and in these cases the workers held office and position on the basis of the satisfactory showing they made to the investors. I consider your first paragraph needlessly pessimistic on the social situation.

"No.1 You refer to the demands of the factory worker and the wage paid the producer as compared to the salaries of the men and women holding managerial and clerical positions. Herein, it strikes me, you have undesignedly condensed the whole problem of labor, and in reply I submit that were it possible for the exeeutives of the business to draw as close to the factory operatives as they do to the forces of their general offices they would soon establish a kindlier relationship throughout and a better understanding on the part of the factory workers as to what, in justice to business, they can expect it to stand. From what is here stated, you can infer whether I think Management is paid too little or Production too much. Every employer has got to answer according to the showing of his own pay-roll and be helped to a clear vision of it by the sort of atmosphere prevailing in his organization. In our factory, we give bonuses on occasion, and have found stock ownership the least desirable method of reward except in the executive branches. The pay-roll is systematically studied and, coincidentally, production is likewise.

"No.2 We have a benefit association, through the medium of which employees may make loans for such emergencies as arise in life and sufficient at times to take equity in a dwelling. We maintain a restaurant at a loss of approximately five thousand dollars per year, employ a trained nurse in a well-equipped dispensary, and a physician and an oculist are in attendance at

stated hours. Every employe, after one year's service, is covered under our Group Life Insurance Policy in an amount equivalent to one year's wages.
"NO. 3 The increase in the salaries of the Managers of Sales and Managers of Production over 1914 averages 70%.

"No. 4 Their assistants and those holding higher positions in the correspondence and purchasing departments, 75%.
"No. 5 To salesmen the advance over 1914 was 75%.
"No. 6 To the clerical staff of the general office, varying advances, being from 50% to 100%, according to ability, term of service and position. Those who left our organization for employment elsewhere did so through ambitious notions and with the idea of striking out independently. They regarded their training as the best asset.

"I cannot answer all your questions as fully as I would like. Indeed, I do not think figures do much to elucidate a question of this sort. So long as production is commensurate with salary, the wage is a secondary consideration, and our people are being educated to realize this. The psychological intolerance of employees who are slow producers by their fellows who realize that production means money to them adjusts working conditions automatically."

NOTE: The remaining letters which were commented upon by the Secretary are quoted below, in full, with the exception of one or two who had asked that their remarks be not published.

In view of the confidential nature of much of the information disclosed, it is deemed necessary to withhold the names of the writers, and the order in which they are given in no way agrees with the listing of the names on a previous page.

"A" "Every employee that we have in these plants draws a bonus of ten percent every five weeks.

"We have no welfare schemes except the Mutual Benefit Association which is open to every employe. It takes care of various funeral expenses also some doctor's services etc., as well as sick benefits. In your third question I should say about 40%, the same to number four and to number five that varies and they are on a commission basis and their earnings run about double. Number six is apparently the same as number three."

"B" "In your letter of August 30th you ask for answers to questions on several subjects mentioned.

"To the first would say that we have no arrangements that come directly under this head, but in answer to clause 2 we do have.

"We are always glad to do what we can to assist any of our employees to enable them to secure homes. We do not go into the payment of doctors' bills direct but every person in our employ if married is insured in the Equitable Life Assurance Society for $500.00 in case of death. Single persons are insured for $300.00,

we paying the entire premiums. We have another organization that takes care of them in a different way in case they are sick or injured.

"In answer to the third clause. The list of salaries, wages and everything has been largely increased during the years 1918 and 1919. It includes not only the manufacturing end but the office as well, not taking in the executives, but covers 5 and 6 clause.

"Our business is not like the automobile business. It does not present the margin of profits it gives. We try to consider all of our employees as members of the family and treat them as nicely as we can and give them all the benefits we can."

"C"

"Answering yours of the 30th, we are pleased to submit to you, the information requested:-

"#1. With the exception of factory labor, a bonus or profit sharing plan is in force with our employees, the maximum distribution amounting to 10% of the employee's salary in accordance with the length of time they have been in our employ. This and a commission basis for the salesmen, and other plans in force might easily be called a profit sharing plan. The Company is ambitious to extend this sort of plan. The Company makes it possible for its employees, to some extent, to own stock in the Company. Basic salaries, drawing accounts, etc. are probably raised from 25% to 50% over 1914.

"#2. There is no legitimate way we know of in which we would not help any employee of this Company who has been with us long enough for us to become acquainted with their attitude and loyalty.

"#3. Twenty-five to fifty percent.

"#4. Twenty-five to fifty percent.

"#5. All salesmen work on a straight commission. Since 1914 many of our salesmen who were then working for two thousand dollars per year, are probably making from ten to twenty thousand dollars per year, from which they must deduct their expenses. Some of our salesmen this year have made even more, so the increased pay to salesmen is estimated to average from one hundred to one thousand percent. The interesting fact along these lines is we have about the same number of salesmen that we had in 1914 and 1915 and our business is from ten to twelve times as large, strongly indicating that a flexible basis by which the salesmen have an opportunity to earn without limit, is a great developer of men. This must apply to all organizations.

"#6. Estimated from twenty-five to fifty percent.

"COMMENTS. We are thorough believers in a bonus, profit sharing or any other arrangement which will allow the employees

to prosper. We have by no means reached what we know to be the proper situation as far as bonus, profit sharing, stock ownership, etc. are concerned. It is our belief that no concern can prosper whose employees do not prosper with it. In fact, actual prosperity could not exist without all connected being justly prosperous.

"D"

"Your questionnaire regarding the salaried man and the high cost of living has been referred to this Department. We are very glad to give you what information we have. To some of your questions I regret that more definite information cannot be given, but you will appreciate the limitations imposed by a large organization such as our's.

"The following answers are numbered to correspond with your questions:

"1. The Company pays to all employees a yearly Wage Dividend amounting to 2½% on the average. A special wage bonus was paid during the war and now has become incorporated with the regular wage. This varies between 10 and 15%. A stock ownership plan is now being put into effect. Just what percentage this will add to the employe's wage or salary cannot be estimated.

"Due to the special bonus and Wage Dividend the salaried man's wage is at present between 12 and 15% higher than it was in 1914. This figure is independent of regular wage increases.

"2. No regular program has been in effect for helping the salaried employes in matters of housing, wholesale buying etc. Special cases were, however, taken care of by the Company. A systemization of this welfare work is now under way.

"3. To the specific question regarding the percentage of increase for various positions and types of work I can only give you a general answer. These positions have received increases depending entirely upon the productivity and increasing values of the person. Hence, there is such a variation in the various increases that I could not give you even a representative percentage, nor would an average have any meaning whatsoever."

"E"

"We have your letter of the 6th inst. and our experience confirms your statement that there is a widespread interest at the present time in industrial relations work. We are pleased to answer the specific questions asked in your circular letter of August 30th as follows:-

"(1) We are sending you under separate cover a copy of our pamphlet "A Brief Account of the Educational Work of the Ford Motor Company". You will note in this that our plan places a share of the profits in the bi-weekly pay envelope of every employe after a probationary period of one month. The eligibility of an employe to receive a share in the profits is determined not through the grade of work that he does but through his personal habits and life. In other words, the company reserves the

right to withhold profit sharing from any individual who is using it in a detrimental manner in order that we may bring to his attention the mistake that he is making. The minimum rate of $5.00 per day established when the plan was inaugurated January 13, 1914 was increased to $6.00 per day the first of January of this year.

"(2) No.

"(3) There is no established basis of compensation for executives and we are accordingly not in position to give you a comparison in this class that would be of value to you.

"(4) Same as No. 3

"(5) We have no salesmen.

"(6) The rate for general office workers has been increased approximately thirty per-cent."

"F"

"1. Bonus plan now under consideration - wages advanced on work over 1914 100%.

"2. Yes.

"3. 50 to 75%

"4. 75%

"5. 75%

"6. 75% "

"G"

"Your letter of the 30th ult. was referred to at a recent meeting of our Board of Directors and had the interested attention of the members present.

"While we are disposed to answer your inquiries as made and lend assistance to your undertaking in every possible way, it will be difficult for us to be specific in the matter of percentages.

"We have not failed to recognize the importance of satisfying our Managing and Clerical Staffs during these critical times and our payrolls have increased very considerably.

"Taking your inquiries in the order made:

"1. Bonuses have been paid the higher salaried members of staff, approximating 20% per annum.

"2. On application, if an employe is in need of financial assistance and circumstances warrant our assisting him, he is so favored.

"With an eye to the general welfare, a store has been established, financed by this Company and run by a club organized by employees. The store furnishes many necessities to employees at cost.

"3. Approximately 45-1/2%.

"4. Same as No. 3.

"5. Approximately 40%.

"6. Approximately 45% to 50%.

"As already intimated we are interested in the subject you are dealing with and trust the foregoing may serve you. We shall be glad to have you send us, when summarized, a report on the results of your undertaking, that we may learn how the problem is being met by others."

"H"

"Your letter of inquiry dated September 6th, 1919, deals with a subject which is of the greatest importance, and it is a pleasure to us to communicate whatever we can that will enable the Society to compile a comprehensive summary.

"For several years our Company has set aside funds for the assistance of employees along the lines mentioned in your questionnaire of August 30th. These funds we have found to be best administered through a committee composed of the employees themselves. This Committee is known as our Welfare Board and has full power to make loans as well as give other assistance to employees.

"Concerning your remaining questions, we haven't compiled any detailed information as to the increased compensation for the specific positions which you mention. In general, we know that the average increases we have made vary between 30 and 50 per cent. This information is probably not as specific as you want but I give it to you for what it is worth.

"We here will certainly be interested in the summary of information which you prepare and shall look forward to receiving a copy."

"I"

"Reply to your letter of the 30th has been delayed owing to my absence and pressure of other matters.

"Answering the questions you ask -

"1. For some years we have had a participating salary arrangement with our heads of departments and a few others, the amount so distributed depending upon the net profits of the business and amounting on the average to better than 10% of the 1914 incomes. The above is applied to factory heads of departments as well as office.

"2. While having no general plan, the management has always taken an interest in the welfare of its emplpyees and endeavor to be helpful to them in the solving of any of the general burdens of life in any manner which, as it is brought to the management's attention, it could be done. Many times it has been along the lines mentioned of payment of doctors' bills, funeral expenses,

and at other times the assistance in securing of home, wholesale buying, etc., this latter particularly since the war.

"3. About 33-1/3%.
"4. About 50%.
"5. About 33-1/3%.
"6. About 30% with further increases in contemplation."

"J"

"In reply to your letter of August 30, in which you outline some questions which you would like for us to answer, I shall attempt to do so briefly.

"1. We have a profit sharing plan which goes to the heads of departments, which increases their earnings from twenty to eighty percent, according to the responsibility of the position they hold; the executives, of course, getting a larger percentage. This Profit Sharing is payable in Common Stock in the Company.

"2. We assist any employe in our company in buying Common Stock in the company, which makes them interested and also gives them a savings account which they can build up and receive an income from. We allow them to make a nominal initial payment and so much every three to six months.

"3. I would consider that we are paying our Managers of Sales, Finance, Production, and the higher executives an increase in salary of about 50 per cent over 1914 figures.

"4. Off-hand, I would say they are receiving forty to fifty percent more than they received during 1914. This refers to assistants coming within the Executive Class.

"5. Our salesmen are figured on a commission basis; thereby, their earnings are regulated by the volume of their sales. They show by far the largest increase in amount of earnings of any of the employes connected with the company

"6. I would estimate that we are paying our General Office help an average of 33-1/3 to 50 percent more than in 1914.

"I should like to have a summary of the information you have gotten along this line. If there is anything further you should like to know, I shall be only too glad to furnish it."

"K"

"I will answer your questions in the order in which they are numbered in your letter.

"L. Our bonus system to salaried employees is as follows: The corporation first takes from the profits 5% interest on their total investment and of the remainder 10% is given to our salaried employees. Last year this amount represented about 10% of the employees' yearly salary.

"2. We are always very willing to make loans to our employees to help them out in any emergency.

"3. Average increase 75% to 100%.

"4. Average increase 75% to 100%.

"5. Average increase 75% to 100%.

"6. Average increase 75% to 100%.

"We will be pleased to receive a summary of the information you get in response to these questions."

"L"

"We offer no bonuses, profit sharings, stock ownerships or other monetary considerations to our employees.

"We have a benefit fund from which we make loans to employees who are in financial need. This fund is obtained by the sale of magazines at reduced prices to our own employees, that is, we ask them to pay 5¢ a copy for 25¢ magazines and all funds obtained in this way are turned into the benefit fund.

"Regular salaries to office workers--clerks, stenographers, bookeepers, etc.--average nearly 50% higher than in 1914. We had no sales organization at that time, so there is no possibility of making a comparison in that line. It isn't possible for me to determine what has taken place in the other classes of employees that you name.

"I hope that this information may be of some help to you and shall be delighted if I may know what the results of your study turn out to be."

"M"

"Replying to your circular letter of August 30th, our reply to your questionnaire will probably not be of much assistance to you.

"We have a firm of Consulting Engineers at work reorganizing our factory personnel and their work is not sufficiently advanced to give any records.

"Ans.1 - We formerly used bonus and premium systems, which were interrupted during the war period. Neither are in effect today. We plan, eventually, to establish bonus for individual performance.

"Ans. 2 - We come under the Ohio State Insurance Act, which compensates employes for accidents and injuries. We also carry group insurance.

"Ans. 3 - Probably 10% to 25%.

"Ans. 4 - Probably 25% to 50%

"Ans. 5 - 25% to 50%

"Ans. 6 - 25% to 50%"

"N"

"Your favor of August 30th, is at hand with several questions which we are pleased to answer as follows:

"Referring to question No. 1; we have never done anything along the line of such distribution as you mention in this question, except to make a voluntary distribution at Christmas time. This is not a guaranteed distribution, nor is any amount set. It depends upon the business of the year, and is made on a percentage basis of the wages or salary drawn by the employee during the year.

"Referring to question No. 2; we have not done anything regularly along the line of advancing moneys to employees. We have, however, in some instances helped an employee to buy a house, and intend to continue this with any employee of the right character.

"Referring to questions No. 3, 4, 5 & 6; we would say that these increases have ranged anything from 25 to 70% according to the merits of the work and, mostly, due to necessity thru increased cost of living over the years since 1914.

"We would be very glad to hear from you as to the information that you collect in tabulated form, and trust you will not fail to send this to us."

"O"

"It has been our policy to take care of our salaried employees in a big broad way and to make their salaries liberal based upon all costs of living. We look upon our salaried employees as being very valuable assistants, and this is always considered when wage adjustments are made."

"p"

"No.1 - None
"No.2 - No
"No.3 - 87%
"No.4 - 92%
"No.5 - 50%
"no.6 - 57%

"We desire to express ourselves as in thorough sympathy with the movement which you are planning, to bring about better conditions as to compensation paid office workers generally.

"The present situation is a shame and a disgrace and should be remedied without further delay.

"It is a subject that we have given a great deal of consideration, and we can say frankly that we are not at all satisfied with the answer we have made to your question No.6, but it is a matter that is having serious consideration and will be remedied very shortly in our establishment.

"We do not believe in any plan of bonus or profit sharing, or any other consideration calculated to take the place of wages. Employees should be paid what they can earn, based upon the purchasing power of money today, and we are seeking to follow this policy in our plan of management.

"We shall be very glad to have a report from you when your survey has been completed, and if in the meantime we can serve you further, please do not hesitate to let us know."

"Q"

"We acknowledge receipt of your favor of the 30th ult. and advise that we do not employ a profit sharing or bonus system, second we aid and assist in securing homes or help in time of trouble where necessary; third the increase is approximately 100%. This includes all of the various classes which you have mentioned."

"R"

"In response to your circular letter dated August 30th, we enclose herewith a categorical response, and am very much interested in seeing the summary of the replies you receive.

"This problem is most perplexing. Any analysis we have been able to make fail to give us any satisfactory solution. Arbitrary increases to even approximately adjust living wage would put us out of business, and yet it is upon these people we are dependent for the very bone and sinew of our business, and we hope that the investigation you are making will give us some light. "

"1. We have no specific bonus rate but have distributed approximately 10% of their annual salary to our executive employees and clerical assistamts. This would probably represent about 12% to 14% of the 1914 compensation.

"2. We have no prescribed method to meet this condition, but are making special exceptions in each case as they may arise, recognizing that home ownership makes a better employee.

"3. No increase whatever.

"4. Varying from 10% to 15%.

"5. The compensation to salesmen depends entirely upon the selling price of the article, either on a commission or straight salary basis their earnings are parallel to the amount of the sales, and the added volume of business has increased their compensation 50%.

"6. From 20% to 30%."

(Secretary's remarks continued)

The Underwood Typewriter Co. send me pamphlets covering their Profit Sharing Plan, and as it is in print and has been described in the Public Press, I think I may mention their name in connection with a description of it. Their plan, in effect, is, or has been for the last three years, as follows:

After providing for regular depreciation charges, taxes, and dividends of 7% on the preferred and 6% on the common stock of the Company, 20% of the remaining net surplus is turned over to five Trustees, who deposit it with a Trust Company and open an account to the credit of each employe who has been with the Company for two years or more. The division is made on the basis of length of service, viz:

5 parts to those employed 5 years or more
3 " " " " 3-5 years
2 " " " " 2-3 years

As soon as the deposits of an employee reach a sufficient amount, the Trustee will invest it in Common Stock of the Company, for which the usual stock certificate is issued and delivered to him, and Treasurer's dividend checks are issued to each holder quarterly.

As an inducement for an employe to retain his stock, an extra bonus was given during the first two years the plan was in operation, equal to the amount of the dividend on the stock so acquired. For 1919, it was announced that the distribution would be in Common Stock, if obtainable, or the U. S. Government Bonds, or both, and as the stock was earning substantial dividends, no extra credits would be given on it, but as an incentive for the retention of the bonds, an extra amount of 2% would be credited to all employees on January 1, 1921 who then still held their bonds.

It is further provided that any employe who sells any of the stock or bonds issued to him under the Profit Sharing Plan, will be discontinued from sharing in the profits for one year.

To help an employe save, he is permitted to subscribe to the stock of the Company an additional amount, not exceeding his bonus, and deductions from salaries to pay for such subscriptions are made in amounts as the employe may elect. Interest at 5% is credited to each employee annually on the total amount to his credit.

In reviewing the operation of the Plan in a recent bulletin, the Company announces that it has paid to the Trustees, for distribution among the employees, an extra compensation,

$293,000 for 1916, $327,000 for 1917 and $376,000 for 1918, or in round numbers, $1,000,000 for the three years. During the same period the employes subscribed to stock having a total value of over a quarter-million dollars, and a total of over 11,000 shares of stock were issued to them in these three years. Over 92% of this stock is still in its original hands, 2% was sold for sickness and other good reasons, and 6% on account of employes leaving the Company.

The point that is worthy of note here is that some of the stock distributions of the sort referred to above are doubtless made from Treasury Stock - instead of a withdrawal of cash, the surplus is capitalized, and remains to strengthen the business This is substantially what is advocated by George W. Perkins, and is the plan that has been adopted by some Companies, with which he is connected and which has proven very successful with them.

While the Ford Motor Company's method of apportioning profits to salaried workers is not mentioned in the letter they sent me, it is described in a pamphlet on Profit Sharing which the Government published in 1916.

Under the original Ford plan, salaried workers were divided into three classes. First, those who were paid $175.00 a month and over; second, those whose salaries were $75.00 and less than $175.00 a month; and the third class ran over $30.00 and less than $75.00 monthly - there are probably not many in this class today.

The Government's pamphlet states that for "last year" (presumably 1915) 79 executives in the first class got $213,000, or an average of about $2500 each; 240 employes in the intermediate class received $367,000 or about $1500 each; and 1050 in the lowest class got $246,000, or roughly $250. each.

While there is nothing to show the total amount of salaries paid to executives in the highest class, if we strike an average for the other two classes and compare the profit return on a percentage basis, it would appear that Ford has fol-l lowed the tendency among manufacturers that a study of the subject reveals, of giving the largest proportionate share of profits to the executives and higher salaries men to whom the success of a concern is largely attributable. And that is substantially what Mr. Felt claims in his pamphlet.

The Solvay Process Co. has both a profit sharing and a bonus plan in operation. Under the former the participants range from chief executives down to sub-foremen and are divided into three classes. In the Senior Class are included only the chief executive officers and chief technical men; in the Junior Class, the chief technical assistants. the foremen of important departments and the more important office men; and in the First Class are others to Junior clerks and sub-foremen.

The Seniors receive three times, and the Juniors twice as much as the First Class. The Directors of the Company elect the members of each participating class and each participant has a formal contract with the Company, which fixes the basis of the participation and the obligation of both parties.

There is also a bonus system, which is not contractual, and does not depend upon the profits, the amount to be distributed being decided upon by the Directors each year. This applies to all employees who are not members of the participation classes, the distribution ranging from 2% for two years' to 6% for 10 or more years' continuous service, of the salary earned during the preceding year, and is paid in a lump sum.

There is also a pension fund, maintained by the company, and a Sick Benefit Society to which the men and the Company contribute equal amounts. Aside from this, the Company has always paid hospital expenses, and specialists' fees in the case of injured employes.

SUMMARY

A summary of the replies received, discloses that under the first question, "Profit-sharing, Bonuses, etc.", out of 25 replies, 4 have absolutely nothing of this kind; 2 are silent on the subject, having answered me in a very general way; and 19 are either considering or have some sort of bonus or profit-sharing plan now in operation.

On the second question, as to what other help they gave their employes: Out of the 25 there are 2 who give no help of any kind, 4 were silent on the subject, and 19 give the employes various sorts of help as are outlined in these letters.

Then when it came to the more personal questions of Compensation, on the third question: "What percentage of increase over 1914 salaries do you pay your executives, managers of sales, production, etc.?"--- out of 25, 8 did not submit any information; 3 were indefinite, said in a general way that their employes were helped largely and liberally; only 2 say that they have given no increases whatever to their executives since 1914. That leaves 13 who report increases anywhere from 10 to 100 percent. I averaged up the 13---I could only average by the number of concerns reporting, not having anything to show the actual number of executives who are affected by the situation. But, based on the figures given me, it shows an average increase to executives, over 1914 salaries, of 55 percent.

On the fourth question, asking for the same information with relation to assistants or minor executives, the proportion was the same: 8 gave no information, 3 were indefinite, and only 1 said that he had made no increases; 14 have granted increases

running from 10 to 100 percent, and those, figured in the same way, show an average increase of 56 percent.

The fifth question relates to the increase in compensation to salesmen, Out of the 25, 9 did not submit any information, 2 were indefinite, and 14 said that the sales forces were increased from 25 to 1,000 percent. I did not use the 1,000 percent because it is such an unusual case that I thought it would hardly show a fair average figure. But, putting that concern's figure in at 300 per cent, it would give an average increase to salesmen of about 80 per cent on the 1914 figures. That is probably true because in many cases the sales forces are on a commission basis; and even though a salesman's percentage of commission has not been changed at all, the fact that most products are selling for anywhere from 50 to 200 percent higher than in 1914, would automatically increase the salesmen's return accordingly.

The last and sixth question relates to increases for general office help. Only 6 did not submit any information at all on that question, 2 were indefinite, and 17 said that the increases ran from 12 to 100 per cent; the average there would be 50 percent.

C O N C L U S I O N S

Now, of course, you gentlemen are at perfect liberty to think these things over for yourselves and talk them over, but, as I have had these papers for some days and have had a little more opportunity to study them than you have had, I just wanted, before sitting down and letting you go ahead and talk, to give you my conclusions in the matter which I merely present for what they are worth and which perhaps may form some basis for discussion..

First of all it is manifestly impossible to formulate any set rule for solving this problem for any particular industry or any particular business. You can see from the nature of the replies that the conditions under which different businesses are operating today vary so much that each man has to solve the problem for himself.

Second, factory workers and salaried men require different treatment. There is a difference in training, environment, habits of thought and habits of action, between the two classes, which I think demonstrate the need for a difference in handling. Most of us know what the worker wants---you see it expressed every day in fresh demands; and as a rule he wants it coming to him every week in the weekly pay envelope.

Some of the concerns who have written me seem to have adopted profit-sharing in the form of distribution of stocks to their factory employees---but I think that that is rather in the nature of an experiment, and I do not believe that the matter has been carried on long enough and by enough companies to

show that it is really a permanent solution of the industrial situation, so far as the factory worker is concerned.

The same might be said of bonuses which are paid once or twice a year, and although some concerns seem to have been successful with these plans the history of profit-sharing and the evidence given in the Government's pamphlet on the subject, is all against them as a permanent factor in the situation until such time as the factory worker has been educated to a better realization of the part he plays in the economics of the world and the employer in turn has learned that the introduction of the human element in dealing with his men is a vital necessity to the successful conduct of his business.

But as one concern brought out in its letter, you are all much closer to the salaried man, much closer to the man in your offices and on your staff; you know what his thoughts are, and you can reason with him; and I do believe that the salaried class can be taken care of. The most practical solution of the situation, it seems to me, where there is sufficient income in a concern to permit it would be:

First, - to have standard rates for each position or each class of work, based on the 1914 value of the dollar, not as salaries are today, and subject only to such increases as are usually made after an employe has been in a position long enough to become more proficient and to deserve a greater return; and let his main incentive to getting more salary be through a promotion to a place higher up.

Second, - to make a reasonable, temporary allowance, such as one or two of these companies say they have been doing, to meet the present abnormal living expenses which could fluctuate with the rise and fall of commodity values, and which would eventually be dispensed with as normal conditions reassert themselves.

Third, - to give the salaried worker a share in the profits, along the lines of the Underwood Typewriter plan, or the Larkin plan which company is located here in Buffalo. I would like very much to know what the Buffalo people think of the latter plan. This was published in "Printers' Ink", under date September 18, 1919, and it is the most exhaustive study of the subject that I have seen anywhere. They have gone into it very thoroughly, to the extent even of reorganizing the company. The principal features of the plan are as follows:

Assets of the Company on Jan. 1, 1919, were stated to have been well in excess of $20,000,000, with no Good Will Account included. It is proposed to organize a new corporation, with $20,000,000 first Preferred Stock (all of which goes to present owners) and $30,000,000 Second Preferred and Common of which only $10,000,000 will be issued now (to present owners and employes) the remainder to remain in the Treasury to be issued

from time to time to cover profits retained in the business for its future development, and for sale to employes under certain conditions.

The First Preferred Stock shall pay a dividend of 3% in 1919; 5% in 1920; 6% in 1921; and 7% thereafter. It shall be preferred as to assets, and cumulative as to dividends, but shall not further participate in the profits of the Company. The voting privilege shall be with the common stock, provided that if preferred dividends are defaulted for 12 consecutive months, Preferred Stock may also vote until the dividends are paid up.

Second Preferred Stock shall pay a dividend of 5% in 1920 and 6% thereafter, and shall be preferred as to assets after the First Preferred, and cumulative as to dividends, which are only payable after all First Preferred dividends have been paid. It shall be issued only under the following conditions:

In case of dismissal or voluntary withdrawal, Employe Stock must be deposited with the company for purchase and the Company may make payment in cash; with six months' note; or by an exchange of Second Preferred Stock, p the purchase price of the Common Stock to be fixed each year by the Directors. All Common Stock purchased by the Company shall be subject to re-issue at the discretion of the Directors.

Common Stock shall not be sold except to the Company or to a person eligible to hold Common Stock. Dividends shall not exceed 12% annually, nor shall they exceed 50% of the profits remaining in any one year after payment of dividends on the Preferred Stocks.

Of the $10,000,000 Common Stock to be issued it is proposed to issue to each Charter Employe an amount proportioned on the basis of 1/10 of the yearly salary as of January 1, 1919, times the years of employment, less three years. The result will show the dollars of stock to be issued. In determining the years of service, the date shall be reckoned from the beginning of the last employment with the Company, except that if interruption has been due to holding of public office, for educational preparation, or by marriage (if women) the time shall be merely deducted. If for war service or illness, the interruption shall be disregarded.

After the amount to be issued to Employe Stockholders has been determined, the remainder of the $10,000,000 Common Stock shall be issued to the present owners of the business.

A Charter Employe shall be one who on January 1, 1919, was a citizen, 21 years of age, had completed three years of service, and was not then a stockholder.

Employes under 21 years of age, or not citizens, will receive their apportionment of stock under this plan as soon as

the disability is removed, provided that aliens shall apply for citizenship within six months of the publication of this plan or within six months of their employment, and shall prosecute their claims without delay.

Any Eligible Employe Stockholder (determination of Eligibility is described in a subsequent paragraph) and any present Employe-Stockholder may purchase Common Stock yearly to any amount equal to 20% of his yearly salary, provided that the Directors have appropriated sufficient stock for this purpose, otherwise the sale shall be on a pro-rata basis.

After payment of Preferred dividends the remaining profits shall be distributed by the Directors as follows:

(a) For the purchase of Common Stock on deposit, assigned by retiring employes.

(b) For temporary use in an unusual expansion of the business, which shall not exceed 20% of the total profits of the year. The total reserve not to exceed 30% of the capital stock outstanding.

(c) For the dividend on the Common Stock to be paid quarterly during the ensuing year.

(d) For the retirement of Preferred and Second Preferred Stock (which are callable at any time on 30 days' notice with the option to First Preferred stockholders of taking Common Stock in exchange) and for the purchase of Common Stock offered by present owners.

The remainder of the profits for the year shall be distributed in Common Stock at par to Eligible Employes for that year, and present owners of the business pro rata to average salary of the previous year.

Eligibility to profit sharing shall be determined as follows: On January 1, 1920, lists of Charter Employe Stockholders, and other employes who have since qualified, shall be made up, sub-divided into convenient groups at the home office and branches.

These lists shall be passed upon by the Directors and employes, each person on the several lists to be voted upon by all persons on such list and every person receiving the approval of 90% of the persons in his group (and presumably also the Directors) shall be considered an Eligible Stockholder for 1919, and to this list a share of the profits shall be distributed in the form of Common Stock as previously noted.

New lists shall be made in the foregoing manner each year, with right of appeal by anyone failing to receive the requisite vote and an opportunity is given for the publication of

charges against such a person. The Directors may declare a person a permanently Eligible Employe Stockholder after he has received the unanimous vote of his group for three successive elections.

Upon disability following 25 years service, or after reaching the age of 65, either voluntarily or at the discretion of the Board, an employe may retire. He shall then deposit all his stock with the Company, under the following plan:

That which he has purchased will be treated as stock under the Voluntary Withdrawal procedure previously described.

Upon that which he has obtained by virtue of being a Charter Employe or through subsequent stock dividends, the Company shall, if a fund has been created for the purpose, pay 5% annually, in addition to the usual dividends, during the whole installment period, without reference to the fact that the owner's interest is diminishing. Dividends may be reduced to pro rata of unpaid remainder at death of owner, or may be continued in full during the life or years of minority of a legal dependent, or until the shares are liquidated. Dividends shall be reduced to pro rata of unpaid remainder if the law provides the Employe with an industrial pension Stock liquidated under this plan shall revert to the treasury for re-issue.

No cognizance is taken of the gainful occupation of a retired stockholder whose income therefrom does not exceed 50% of his salary during the last year of his employment.

The Company may grant a similar plan of liquidation, at its option, to one employed less than 25 years, leaving for retirement.

In case of death of an Employe Stockholder the Company may in its discretion call the stock as in case of voluntary withdrawal, or it may proceed with the heirs of the deceased in the same manner as with the retiring employe.

(Secretary resumes discussion)

The Directors of the Larkin Company acknowledge that the success of a business does not depend merely upon good will and equity, but that it depends upon capital, management, and intelligent human endeavor. They have evolved the plan to develop loyalty, citizenship, self-interest in the Company, induce thrift and provide for the future. It also seems to offer a solution of the old age proposition, with which a good many employers are struggling, and which is the dread of every conscientious salaried worker.

Finally, to a man who declares that there are no profits,

I would say that I do believe, from what little I know of these things and from my study of human nature, that he would get sufficient additional enthusiasm, sufficient self-interest from the employees, who would regard themselves as part owners in the business, so that there would be profits that he could divide with them.

Now, that presents the data that I was able to get. Unfortunately the speakers whom we had planned to have had other engagements: They were called down to New Orleans to attend the Convention of the Associated Advertising Clubs of the World and could not be present; otherwise we had expected to have students of the subject like Mr. Bell of the Hydraulic Pressed Steel Co., and some others here to discuss this matter with you.

President Pank: As I said in the beginning, before Mr. Rohrbach spoke, I had no idea what the plan of the Plan and Scope Committee was. I now realize that they have opened up a very large subject, a very-many-sided subject, and I have enjoyed hearing Mr. Rohrbach's ideas, some of which I cannot concur in, being on the other side probably of that many-sided subject. I have been also interested in hearing the expressions from the others.

Next, probably, to the direct labor question there is nothing more puzzling just now than to know how to retain the interest, the enthusiasm and the loyalty of employees, in these times when some of us are making money, yet perhaps not making as much as we are credited with, after the Government gets through with us. I think it would be very desirable if we might have a discussion. I don't know how many members of the Society have put into actual practice any of these schemes that come under the head of "fixed bonuses", "percentage of profits", "stock sales at reduced price", "pensions", "sick benefits", "death benefits", and so on; but I do realize that it is a subject that is engrossing the attention of a great many of the companies---I know in the case of our own company that we are giving it very serious thought, and my only fear in connection with that company is that they will decide upon something, without as grave deliberation and consideration as it should have.

Mr. Gardner, you being next to the Secretary in geographical location, have probably absorbed some thoughts that you wish to voice. May we hear from you?

Mr. Gardner: It is a subject that I think nearly everyone is giving more or less thought and attention to. Just what is the right plan, is a question. You find men who have given it a great deal of thought who differ radically. But that it is wise to do something I think there is no question.

Our concern has given a bonus to the employes at the end of the year, our idea being, as much asanything, that it might help to hold our labor. If they did not stay until the end

of the year they did not participate in the bonus; and only for as many months as they had been in continuous service do they get it. We have had an old-age pension for many years, but no sick benefits---on trying that we seemed to be in hot water continually; committees were out constantly, and some men would not play fair.

We have sold the men stock. One of the peculiar things about it is that we have never been able to interest the Iron Moulders Union in any stock proposition, notwithstanding that the value has increased anywhere from 50 to 100 percent. The unions evidently do not favor the proposition of going into partnership with their employers.

I think that with the trend of the times we should all give thought to the subject and approach it gradually, and it will work out its own solution.

President Pank: Mr. Fishwick!

Mr. Fishwick: I would say, speaking only for the sales department of our company, that we have had under consideration for the past year the evolving of some plan which would mean additional compensation beyond their salary. The company has, for the past three years, given a quarterly bonus to all salaried employes of 10 percent; so that, with the increases that are regularly made in salary, it means that there has been possibly an average increase throughout the entire organization of 40 percent. in the salaries of the sales force since 1914.

However, the whole problem seems to me to be the difference between educated and uneducated self-interest; you touch every man through his pocketbook when he works for another. We see uneducated self-interest in the mass or class movement described as "unionism", where no man is interested in what the other man does excepting he gets something out of it. The educated self-interest, I would say, comes from the knowledge and perception of all of the elements that go to make up business today---not alone business but our human life---from which a man becomes, if he is fairminded, increasingly able to differentiate between other men and to allow to some men, fairly and without prejudice, a higher wage than himself.

So far as the sales force itself is concerned, I think there is no question but what we are coming to a point where they are going to be participators in the profits. My own idea, the one which I have been forced to after studying both the matter of straight commission and the matter of moderate or minimum salary, plus commission on all sales, has swung around now to the matter of a fixed salary, based upon the times, the importance of the position, and the ability of the man, his length of service and one or two other items, plus a percentage on his excess sales---that excess to be deteimined by arriving at an average, agreed upon with the sales department as a fair average

of business for the section in which this man works, and being paid to the branch office, to be distributed to the individual.

My idea in that is that it should be done that way in order to prevent the keen personal competition which would come from paying only on personal sales, which would promote, from my own experience, a lack of co-operation that would be fatal in a large organization. That is as far as we have gotten. I think that we have increased our sales averages of compensation 40 percent. during the war period. In addition to that there has been last year a Christmas present which we do not count in as salary or as an increase. So that I feel that the concern has fairly met the increased cost of living.

But I agree with a number of those who say that the difficulty is due largely to the cost of high living rather than the high cost of living, because I think, taking the consensus of those reports that have been read, that 55 percent. will average fairly close to the Government index of the increased cost of living. So that the American employer, as a whole, has not been dereliot in his duty but has done a fair amount toward alleviating the distress which might come from lack of increase or lack of compensation to meet the rapidly increasing prices.

President Pank: Mr. Hall!

Mr. Hall: As far as our Company is concerned, we have made a straight 10-per-cent bonus for the last two years to the salaried employees, right down the line. The Company now is also studying a new scheme for a bonus proposition which has not yet been worked out---I don't know just what the plan will be because it is not far enough advanced to say.

The real secret of the whole matter, to my mind, is that we must keep the men who are working for us in the right mental attitude, not only from the salaried standpoint but from the standpoint of man to man and treatment of the man as a co-worker with the company; let the man understand that his part with the company is an important part. If he is not capable of handling the part which has been assigned to him, do not keep him but get somebody who will be interested. But if he has a place in your organization, make that place seem an important place to him, and keep up his interest in what he is doing.

That can be done by personal touch, in the smaller companies, it seems to me; but even in the large companies it is possible---not specially by contact through the heads of the organization, but carry it down through the heads of departments, let each head of a department be in close touch with each man in his department; let him be familiar with the family conditions of that man, as far as he can, so that that man will feel that that head over him is one whom he cam go to for sympathy if he is in trouble, one who can talk over his affairs with him; and let that department head show that personal interest in the man

that will make the man want to hustle and keep up the interest which he should have in the organization.

The point which I have found works out well in handling men---only in the sales department, of course, is this: Whenever a man is sent out on a trip, it may be a long trip or for two or three weeks, I invariably ask that man "Is there any personal reason why you cannot leave at this time and be out of the city, away from home?" It may be he would have a sick child or wife. Unless he goes out with his mind entirely clear and bent on business he cannot give you the results he ought to have. If he is frank with you he will tell you whether he can or cannot go. If he cannot go, it is up to the man who has charge of him to arrange to have him go some other time, and have somebody else go in his place. That merely illustrates what we can do in handling the men. I think that that is of quite as much value as the money end of the proposition. That is the thing which will bring the heads of the organization in closer touch with the men working with them, to my mind, to bring about results which will be most satisfactory.

I cannot say anything further for our company in this matter because we have nothing to offer in the way of any plan. Possibly later we may have something that will be more concrete.

Mr. McHugh: Mr. Hall left out an additional 7-1/2 per cent. bonus we had last year.

Mr. Hall: Yes, that is true. A 7-1/2 per cent. bonus came out at Christmas time.

President Pank: Mr. Watson!

Mr. Watson: The custom with our Company has been, on salaried employees, to make certain percentages of increases, yearly; in addition to that, for the last three years, we have had a 10-per-cent bonus; but we found that a great many of our employees, in considering their compensation, if they should get an offer from somebody else, very rarely took into account that bonus, therefore about two months ago we decided that the best thing to do would be to make that bonus in the form of an actual increase in salary, so that they were sure of getting it.

The department heads receive cash bonuses and also stock bonuses---all department heads are stockholders in the Company, stock being given to them in the form of a gift. Regarding our outside sales organization, we do not have many direct offices, but those offices are run on a profit-sharing scheme. We consider a district office exactly the same as we would a dealer, and any profits made in that office over the cost of running it, are credited to the office and a certain percentage of them is distributed to the employees. That has worked very very well outside; it has kept the men all satisfied, and they have had good returns for their work.

President Pank: Has that distribution been on the basis of the relative salaries?

Mr. Watson: Yes.

President Pank: No distinction as to service?

Mr. Watson: I might say that up until just a short time ago the manager only participated in that distribution but that that has now been extended to take care of the employees in the office. The manager himself got a certain percentage of the profits of the office.

Mr. Fishwick: All heads of departments in our company are given stock, instead of cash bonuses, at Christmas. I omitted to say that.

President Pank: Mr. Emeny!

Mr. Emeny: I don't know that I have any report along that line. This seems to have developed more along the line of reviewing sales conditions. Our Company does not have any outside sales offices. Our custom in the executive or office part of the plant has been to take care of the employes in the way of increases of from 5 to 10 percent at different times throughout the year, depending on the condition of the times; and that total raise has been very material, probably between 60 and 75 per cent, since 1914.

In the shop, our men themselves maintain an insurance organization, which gives a death benefit and also, in case of sickness, after six days' sickness they participate in a benefit, a certain amount each day.

During wartime, when patriotism was at its height, our men had a drum corps of a pretty fair size, and from that beginning they got the shop interested and arranged to rent quite a large building in the town which had a very good dance-hall all made up, formerly controlled by a German Organization, which went out of business. The Company takes care of the rent and assists in maintaining it. We find that that is a very good thing for our employees; it gets them together and ties those in the shop, in a way, to the management. While it costs us but very little, it all works toward bringing about loyalty on the part of the men, and the social feature is well worth while.

That is about all that we have done. We are of course considering, like everybody else, some further development of the bonus plan or some other profit sharing scheme, we do not know what as yet.

President Pank: Mr. Raynolds!

Mr. Raynolds: As far as bonus goes in the shop it does not

seem to work out very well; it is not appreciated; the men would rather have it in a straight wage.

Mr. Fishwick: The bonus proposition I don't think worked out very well, applied in the shop.

Mr. Raynolds: You have to have your foremen with you, and the foreman has to see that the employes are satisfied; he has to get in personal touch with the employes and see that they are satisfied.

Mr. Gardner: We haven't a foreman in our employ who is not a stockholder in the company---not that that is compulsory, but they avail themselves of the opportunity; and they are trying to get more.

President Pank: Mr. Heermans!

Mr. Heermans: I don't know about any contemplated plans, as far as our Company is concerned, but for the last three years they have been paying the salaried employes 10 percent. bonus. That was dropped a month or two ago, and they have put through a flat increase of 10 percent. That is the only thing that has been done to take care of the salaried employes aside from regular raises or increases made from time to time. The shops maintain their own mutual benefit association, and the company helps them out; the men contribute so much from their wages into a common fund, and they have their own organization to administer it.

President Pank: That is purely a mutual organization?

Mr. Heermand: Yes.

President Pank: Mr. Cone!

Mr. Cone: My company, to my knowledge, never has given any bonuses or Christmas presents or anything like that; they have treated everybody very nicely about salaries. The first of July, every year, the list is gone over, and practically everybody gets an increase---the idea being that a man either gets fired or gets an increase on that date. To those who are capable of the enlightened self-interest that Mr. Fishwick speaks of, I think they rather like to get all that they are going to get from the company in the form of a salary, because then they can spend it as they please. If there are associations and things like that, the company is really holding out some of their compensation and spending it for them. I think that it contributes to a man's self-respect if he is allowed to spend his own salary.

The salesmen that we have get a small salary, and commission on everything that they sell; we do not wait until the sales get over a certain amount.

President Pank: Thank you. Mr. Wendt!

Mr. H. W. Wendt: We have not worked out anything up to the present time, but the matter has been under consideration since I have taken over the organization alone. I was firmly convinced once upon a time that it was the proper thing to do to divide up and pass out stock at a certain time. I thought at that time that I wanted to go so far as to include every man in the organization. The further I have gone into it, the more I have listened to discussions in different places---I have not only talked with different manufacturers but with the labor leaders---one labor leader said to me "Don't you ever get the damn-fool idea into your head that you want to pass out stock to your workmen; if you want to keep your men contented you want to pass that stock out to them in the weekly envelope"---and I think he is right - the more I think of it, the more I believe that the way to keep peace and harmony in the organization is to make that envelope as big as you can make it.

True, it does not tie a man to your organization outside of the pay envelope. If he gets a stock interest, it earns something, but later on it may not earn anything; and when it starts to show no earnings, I am afraid we are going to be up against it, we who do pass out the stock. So that I am on the fence, I don't know which way to jump. I want to jump, and I want to jump in a very short time, because I have been talking this for a long time.

We have advanced salaries and have tried to keep pace with the times. I don't know what our percentage of increases would be, exactly; I have never looked upon it from a percentage basis at all; but we have undertaken to go along with the people who are in responsible positions and advance them. I agree with Mr. Cone here that if a man is not entitled to an increase he is entitled to do something else; he is either of greater value to you each year or else he ought to get out and somebody else ought to take his place. A man standing still is like a manufacturing institution standing still---can't stand still, has to move one way or the other. If your factory is not increasing or expanding, it is on the decrease. Which way do you want to go? You want to increase. That is what we have always aimed for, and what I am going to aim for, to increase the earning capacity of the organization. You have to keep peace and harmony among all of them, from the assistant managers right down to the sweepers.

There is a benefit association at the Buffalo plant that has been in operation a great number of years and that pays sick and death benefits. I take a little interest in it, and when I find that their burden is getting a little troublesome---last year they had a number of deaths, and I found out what their bank balance was and I had the Company write them out a check to reinstate their amount, so that they would be financially in good standing---not but what they are financially in good standing, for the reason that they have a surplus which I keep advising them

not to touch - it is a nest-egg and I want it to increase.

Just what the plans of our company are going to be, I don't know, and I think when we get right down to it that I won't have as much voice in the matter as my men will, that is, my associates who are interested in the game; I think I am going to let them practically settle the situation. I believe that they ought to participate in it. I don't want any giving of stock that is not going to earn anything; I don't want to increase the capitalization of this company to such an extent that I am giving them a lot of water and not giving them real cash; I want to give them something that is right. I am afraid that in a great many cases this stock proposition is misleading, and it is going to have its effect sooner or later upon the workmen. I am not going to be in that class and when that thing comes through they are going to have a dollar for every dollars worth that is presented to them.

I don't know as I can say anything further on the question. Mr. Rohrbach wanted to know what Buffalonians thought about the Larkin plan. To tell you the truth, I don't know anything about it. I know they have a proposition over there with which they are holding their organization intact, and they are working and making money; but what their scheme is and how it is panning out in the way of compensation, I don't know. But from information that I gather, without speaking knowingly, I am under the impression that their wage rates are very low. I may be entirely wrong in that, however.

President Pank: Mr. Anderson!

Mr. Anderson: Naturally, what can be done in a small institution like ours might not be possible in a larger institution, with many employes. But I personally supervise the matter of salaries and wages in my plant, and with only one exception, no one has asked me for a raise in pay in my office in the last ten years. I do not wait until a man gets sick to death for something to happen and for the boss to come around and raise his pay. I raise him. Sometimes I have had men who have had three raises in a year, and I think that my labor turnover is as small as in any plant in our town.

I see to it that my foremen and the heads of the departments are called together every now and then to discuss the matter of the pay that is given to the men in their departments. When I go down over my payroll, as I do frequently, and I see a man is getting $4.00 a day or whatever the amount may be---I look at my record---and if I find that the man is not getting sufficient pay to support his family, which I know from this record is two or three or four or half a dozen members, I try to put him in a position so that he can earn morepay for them, or let him go.

Without meaning to display any egotism, let me illus-

trate what I am trying to do to solve this labor proposition: There was a young man on a roustabout's job, whose pay was not very large, and who was working as though there was no hope in life. I said to him: "Tommy, did you ever stop to realize who was to blame for your not earning any more than you are earning now?"

He said, "Well, no, but I suppose the superintendent or foreman would give me a better job if he had it or pay me more if I was earning it."

I said, "There is nobody in the world to blame for that but just you; you know there is a job worth 25 cents more a day ahead of you, and that there is another one for 50 cents, and another one for 75 cents and a dollar; why don't you put yourself in a position to earn that?"

"Well, but I don't know how, Mr. Anderson."

"Let me tell you one thing. You are painting pumps, for instance; you have so many a day that you count as your day's work; why wouldn't it be a good idea for you to paint those pumps just as quick as God will let you; then when you get those painted, go to the foreman and tell him 'Mr. Williams, I am ready now for more work to do', and he will tell you to take these castings over here and put them over there---and when you go to move those castings do it just as quick as you can, and then go to the foreman and tell him that you want something more to do?"

> He apparently was one of those fellows who acted on the "punch". I said nothing to the foreman about it, but went out in the factory about two weeks later, and Tommy went by zip! his coattails were figuratively going like this (motioning).

I asked the foreman, "Is Tommy going to take a vacation?"

"He seems to be in a hurry", I said.

He answered: "no, he isn't; I don't know what's the matter with Tommy; something has got into him; I am spending most of my time trying to think of things for him to do because I know that what I give him is going to be done so quick that I will have to have something always ready for him."

"Then you consider Tommy a valuable man?"

"Yes, he is one of the best men in the plant today."

"What are you going to do about it; are you going to raise his pay?"

"Well, I thought I would after a little while."

"Then you are going to let Tommy get weary of well doing, and break up this fine combination, and he will kind of sit down and think it isn't worth while, nobody cares about it anyway, and the whole thing is lost? Why don't you do it now - not next week or the week after, but this week, and make it retroactive to the beginning of this week?"

"All right, I'll do that."

That man became one of the most valuable men we had in the plant, so far as his ability to do things was concerned.

I saw this statement just a little while ago: That the time had come when the men who manage business have got to give up their foolishness of trying to pay attention to a lot of things on the outside that put them square and big before other men, and get down and solve the problems with their own men in their own plants, and know what they are doing and what they are thinking about and reading about. I rather think that that is so.

I quite agree with Mr. Wendt in a good many ways about the stock. If a man buys his stock and pays for it he has got an interest he never can have if you give it to him. I have seen in my own town stocks given away, and they have never appealed very strongly to the recipients. But if you have a man in your employ whom you are carefully watching and encouraging to do better work in a right sort of a way, you are bound to make a hit with him if he knows you are watching him, and if there is every now and then slipped into his envelope an increase in pay--- he will work for that. Just the same as you and I did.

I feel so emphatic about these matters that I am extending that sphere of my activities more and more as time goes on; I am trying to make the men feel that in their adversity they can count on me. I know a man who sold his home a few days ago on a contract, and he came to me and said that he wanted to get the money to put into another house; he wanted my help to dispose of that contract. I never knew anything about contracts, so I went to the banks and found out that there were men in town who were buying up such contracts. That fellow unloaded his contract and had a new home inside of two weeks through the channels I opened up for him.

The other day I read in the paper about one of our men having an accident, his wife was run over by an automobile, and she had to go to the hospital. I sent for that man to come to the office, and I gave him a check and told him he had been a good workman for us and that we wanted to help him out in his adversity. I had a man who lost a child by death, and I did the same thing.

I have helped men invest in the Company when they sought to buy stock, and negotiated loans for them at the bank

after they had paid sufficiently to pay down to the equity that would be allowed at the bank. I have purposely encouraged them to go to the bank to build their credit, and explained why it was better for them than to borrow the money entirely from the firm. That is why they paid for their stock outright.

At Chirstmastime we give away five percent. of the earnings that a man has had, in a check. We have done that for two years only. We might give 10. I suppose, but I think the bonus has been sort of tabooed, altho it has been really tabooed by the labor leaders rather than the men themselves; I think the men themselves like a bonus, and when you give them a check for $75.00 or $100.00 at Christmastime it makes them feel pretty good.

So far as that personal relationship is concerned: I have had men come and tip me off to certain individuals who were doing things that they ought not to, that were not for the benefit of the firm, purely because of that friendly relation I had established . I do not hesitate to go into the factory and call "Bill" and "Sam" and all the rest of the names of the boys I know. The other day I went out there, and there was a man who had been working on a drill for 14 years. I said to my foreman, "How long are you going to keep that man on that drill?"

"I can't replace him; I can't put another man on that drill, to save my life, that will turn out as much work as he does."

"How do you know? I have demonstrated several times that a man who has got sore on a thing by long service, usually another fellow takes his place and does better. It seems to me that however good that man is on that drill, the thing for you to do as quickly as possible is to get that fellow off that drill and put him somewhere else where he has some new life opening up to him."

He acted on my suggestion---oftentimes a foreman won't act upon anybody's suggestion---and he put that man into the tool-room, where he is learning a new department of our work. But he is thoroughly reliable, always at his post, never absent, never round talking over the factory. Why wasn't that man entitled to a change?

The whole thing comes back, so far as I can see, to men trying to be human, thinking how they would act and feel under the same circumstances.

The growing cost of living should be the concern of every manager before it becomes the concern of the man who is running behind; he ought to anticipate, not wait until he is driven into a corner, until he has to do it as a matter of salve,

giving the idea he is doing it grudgingly. If he gets there first he makes a friend.

Mr. H. W. Wendt: I would like to relate something on this personal contact proposition.

The other day a superintendent of a large organization was in his office, and a little bell rang from the general manager and President's office, and he was called in there. Before them they had an illustration of electric trucks---and they took the man to task for not using an article of that kind to rush his work along. He looked at them for a moment, and he said "If you two g.d. fools would get up out of your chairs and walk around through this factory once in a while, you would know what is going on here; you have 20 or 25 of those in operation every day, and have had for two years. My resignation is in your hands. Goodday!" (Laughter.)

That goes to show what personal relation is. You have got to get out and know what is going on. There are in many of these factories managers who are good chairwarmers, and they don't know what is going on. I think I am getting to be that way myself,(laughter)--I have not been down to the pump shop for four weeks.

President Pank: Mr. McHugh!

Mr. McHugh: There is not very much I could add to this discussion; Mr. Hall has explained what The Goulds Manufacturing Company's part is doing with reference to bonuses. We have not gone very deeply into welfare work yet. We have recently built a hospital, and have a trained nurse. The men have mutual benefit associations.

President Pank: Mr. Newton!

Mr. Newton: Our Company has no system about the bonuses at all, but we have made substantial increases in the wage rate in the office and shop. We have a sick-benefit society that pays so much for sickness and death; and the company meets them with an equal amount of what the society pays. We have given no stock, we have not even suggested that they buy it---we sometimes wish that they had. Our payments to our salesmen, they are on a straight salary and a commission, which seems very satisfactory.

President Pank: Mr. Hartlieb!

Mr. Hartlieb: Outside of increasing the salaries of all those on the salary list in the office and paying them bonuses of 10 percent. for the last two or three years, we have not done much although we did drop the bonus system about three months ago and paid a flat increase of 10 percent; no stock bonus or anything of that sort. We do some welfare work to a certain degree.

President Pank: I hesitate to call on Mr. West, because he may tell me some things I ought to do. (Laughter.)

Mr. West: I would advise you not to call on me.

President Pank: Mr. Peterson!

Mr. Peterson: I haven't anything to add.

A member: You might call on Mr. Nye. He has not spoken yet.

President Pank: I tried to follow the line, and I forgot Mr. Nye.

Mr. Peterson: We are on a straight commission basis; I might just say that.

Mr. Anderson: I would like to tell you how nicely sometimes these personal-touch matters work out, when things seem to be in a hopeless position. In our plant the operations are such that the men who attend to the engineering room have some testing of pumps. Somehow or other one of these men had called for help from the foreman, and the foreman had not given it to him in just the right way or at the time. They got disputing and after a little it got all over the factory that these two fellows were at loggerheads; finally the superintendent notified me that the boys had got scrapping, and that "one or the other of them has got to quit." I sent for the one man to come to the office promptly at ten o'clock; then I sent word by another messenger to the other fellow that I wanted to see him at ten o'clock, in my office. It happened that the engineer got in there first. I said, "Bill, sit down and wait a minute, I have got something here I want to do." When the foreman came in and saw Bill, it kind of surprised him. I said, "Sit down, I have something here I want to finish." For a minute it was very quiet. What went through those two men's minds I haven't any idea of. I suppose they thought there would be some fur and feathers right there. Finally I got through scribbling on something that wasn't important, and I turned around and said "Boys, you are nothing but kids grown old---a man is just a boy grown up---and you have been making mountains out of molehills"; I said, "Bill, you are a good workman, and I appreciate it; you have been here quite a long time; we look upon you as one of the family; but you know that Charlie is the foreman of this shop, and he is in charge, and that whatever we do we must do through him, and whatever you do you must do through him. Now, Bill, I don't want to hear one single thing about your troubles or what happened." I said, "Charlie, I don't want to hear your story; but I want you two to go out arm in arm and walk down to the other end of the shop, and when you get down there---mind you must not dispute about this thing, but simply say 'Now, Charlie, I want to understand this a little better,' and the other 'Well, Bill, what do you want?" When the fellows saw those men coming out of the office walking down there arm in arm, after they had been quarrelling and calling each other names, they knew something had happened, that those boys were together. I was anxious to find out how

the thing went, so I went out in the factory later on and kind of nosed around a little bit---and there they were, talking just as pleasantly as if nothing had happened, and the thing was all over..

President Pank: Good!

Mr. Anderson: That is what I mean by "personal touch". There are a few men in an institution who can do that; maybe the foreman, the superintendent , the efficiency man, welfare man or maybe the boss himself. Mind you, the boss never should be above doing those things.

President Pank: Well, this discussion has gone much further than I thought it would. It has been very interesting. The reason I passed over Mr. West was because I was really selfish enough to want to explain what we (our Company) were doing.

Mr. Fishwick spoke of salesmen's compensation, as he is connected with the sales organization, and as I am also, naturally that comes first to mind. I don't think we experiencd a great deal of trouble with the matter of salesmen. They are not hard to handle, so far as their loyalty is concerned; but we have to keep up their interest.

The system that we have worked out and have had in effect throughout the sales organization generally for the last three years, and certain parts of the organization for six or eight years---well, how time does fly! It is more than that--- as far back as 1903---has been a straight salary and a percentage on their own personal sales. The variation from most systems has been that we do not set the minimum; the salesman really sets his own minimum. We have a basis on which we start a man, and during the years of 1913, 1914 and 1915, when salesmen were wanting more money, naturally we did not wish to make any increases; so we extended the plan over the entire organization and left them on the same salary and paid them this bonus---well, it is really a percentage on their sales. A certain number of times the salary and expense constitutes the minimum; on the sales over and above that we pay them a percentage. So that they are on a combination fixed compensation and percentage basis. In the case of some men the compensation has gone quite high; we have had salesmen who were getting a good deal more in salary and percentage than their manager's salary amounted to - some have earned from eight to ten thousand dollars. The managers of our branch houses are all on a percentage basis,- a percentage of the profits of that house, very similar to what was outlined by Mr. Watson. So that there is no difficulty there.

We have tried to recognize this principle, and are planning and trying to carry it out as far as possible: That each man shall be made a participant in the profits that may result from his individual effort. We paid a bonus in 1917, at the end of the year, of five percent on every one's salary except

those who were on a contingent compensation basis, which includes the managers and salesmen, as I have just described; they of course were participants all the time, they got a percentage of the profits and also a return on the sales. Last year we paid 10 percent bonuses.

In analyzing this thing I must necessarily look at it largely from the sales standpoint, but inasmuch as it has been very largely thrashed out in our meetings during the last three months, I will say this: There are three grades of employees. I am now expressing a personal opinion. I agree with Mr. Wendt. The workman as a rule is not appealed to by a bonus or by selling or giving him stock; he is appealed to by something that comes into his envelope at the end of the week or on payday. That goes, to a certain extent, beyond the strictly production man; it goes into the minor salaried employes the same way. Their outgo is too close to their income to be appealed to by that sort of a distribution. I will put it perhaps better this way:

It depends upon the length of the vision of the employe. To those who are able to look beyond today's pay envelope, either by their natural inclination or by the press of their own immediate circumstances,-- to those men who have the long vision the opportunity to buy stock at a price somewhat less than the market price appeals; their vision carries them to the point where they desire to save money, and they think more of the declining years than perhaps do the younger workmen. So I think you will find that in the long run there will be a differentiation between those two grades of employes.

I think one speaker rather decried, possibly, the contributions to societies, etc. We have a pension fund, which I have explained to some of you, and which is quite elaborate and extensive. We have two systems: One covers the salaried employes, whether in the sales office or the factories, including of course foremen and superintendents.

Everybody in this class contributes to this fund three per cent of his monthly, annual or weekly pay, which is deducted from it. The company contributes a like amount to that fund, engages so to do---as a matter of fact it has contributed more; so that our pension fund now amounts to about half a million dollars. We retire men, optionally, after a certain age---at 60, optionally, and at 65, compulsory. That carries death benefit in this way: If he does not live to be 60, or has not arrived at 20 years' service, he does not get the pension; so we have a death benefit: At five years' service it covers six months' salary; seven years' service, a whole year's salary. Should he die at 59 and has been in the company 42 years, he would get double the amount he contributed to the fund, with interest added. Any employe leaving the company, whether dismissed or leaving of his own volition, has returned to him the full amount of his contribution to the pension fund, plus simple interest, I think four percent. In the meantime he has had the insurance.

Mr. Anderson: Does that begin immediately upon association?

President Pank: Yes. We require a medical certificate from his doctor, and if we are not satisfied, then from our own doctor.

A Member: Suppose he is not eligible, due to the medical examination?

President Pank: Then he is not eligible as an employe. When the pension fund was put into effect we did not require that employes on our payroll should stand examination and be kicked out in case they did not pass. But we feel that that fund is a trust---as a matter of fact, the funds entirely separate from the company's assets, it is a separate fund invested. It is administered by five trustees, all of course employees of the company, but they are senior employes, and it is no part of the company's assets at all. We feel that that fund is a trust and that we have no right to admit into participation in that trust someone who is going to be a decided drag upon it, who has made very little contribution to it. So we have had plenty of employes who have been turned down. If they are engaged today they are employed with the understanding that they must pass a physical examination before they can participate in the pension fund. If they do not pass it we see that their employment ceases.

A Member: Do you take men into your employ who do not pass the pension fund?

President Pank: Employment is contingent on passing the examination for the pension fund. I have described the pension fund applying to the salaried man.

We have also a pension fund for workmen. They do not contribute at all but they are subject to the same regulations as I have just described governing their eligibility. Certain length of service and a certain age that they may arrive at. The amount of the pension is determined by the length of their service. We take the length of continuous service,- interrupted service does not count. For instance, if a man is with us five years and leaves us for six months and decides to come back again, he is absolutely out so far as the five years are concerned, he starts over again. Then we multiply the number of years by two, and that forms the percentage of his average salary for the previous ten years, and that becomes his pension. We have a limit of $4,000 per annum, if I may explain---on the theory that those employes who shall have received compensation of more than that amount have been in a position to make some savings themselves and are prepared to take care of themselves in their old age. For instance, my contribution to the pension fund is $120.00 a year, being 3 per cent of the maximum of $4,000,- $10.00 a month is deducted from my salary check. Should I arrive at the age of 60 and still remain in the employ of the company I will have been with them for

43 years; multiplied by 2, that will be 86 percent. At that time I will have contributed to the pension fund during a period of about 15 years, and we make a deduction of 1 percent for each year that the employe has not paid to the fund. That was to try and equalize things so that those men who had not contributed to the fund up to the time it was started would not be on exactly the same basis as those who started and contributed all the time to the fund for the full 20 years. None of them contributed to the fund before it started, but they get credit for the full number of years of service, hence a deduction of 1 percent. I have a deduction amounting to 4.30%, making about 80%, net, and I will have therefore a pension of about $3200.00. That is the way it works out.

We also provide that should an employe become incapacitated to work because of illness or injury, after 15 years' service, he may be voted a special pension the amount of which will, of course, depend upon his circumstances. That of course is an elaboration of the pension fund.

The title that Mr. Rohrbach gave to his address was "Management and the High Cost of Living", with particular reference as to whether there had been proper regard for the unorganized part of an organization.

Mr. Anderson: I wonder if anyone has had any experience with group insurance. That seems to be a matter that is being pushed by the old-line companies. Has anybody tried that?

A Member: There are some letters Mr. Rohrbach read in which they spoke of that.

President Pank: We have not tried that. We don't carry our own fire insurance, but we carry all our liability insurance ourselves, and we have a specific fund for that for which we set aside what would be the premium required to take care of it. That is becoming an asset all the time. We found in our factory that by carrying our own insurance it brought about a very much better system in the factories for the protection of our workmen. Of course there is a good deal of group insurance being done. I think it is a very wise provision, if the company do not feel that they can carry that themselves.

In response to your suggestion about beating the fellow to it, Mr. Anderson, as Mr. West can testify from long experience: I do not pretend to know how to handle labor such as Mr. Wendt, Mr. Nye and Mr. Gardner spoke of, because I have not had the experience; it has not been in my division to handle that class of labor; but I do know, in handling the other class of men, that it is a very wise thing to keep in touch with your payroll. I used to have this rule: A man never asked me for a raise in salary more than once----he asked the first time, and I explained my principle absolutely, that I was watching the payroll nearly as closely as he was; that something might possibly happen that I would be a little remiss, but when he came to the con-

clusion that he was worth more money, if he set that down in his mind and waited six weeks and hadn't gotten more meanwhile, then to hand in his resignation, because I would never be more than six weeks behind him. My aim was to be right up with him and perhaps a little bit ahead of him, because if he came to me and asked me for an increase in salary and got it, he would feel that he got it under pressure and not because it was deserved; and he would not be satisfied, neither would I. I have got very few resignations on that basis.

Now, Mr. Anderson, about your keeping in personal touch: The lack of that is probably the one fundamental, in my estimation, that is more responsible for the present industrial situation than anything else---I mean from the standpoint of the employers of labor. Of course, there have been other conditions from the standpoint of the employes---agigators, etc., that have had tremendous effect upon it. In all of the larger organizations ---and they have run more and more to larger organizations---there has been less and less of the personal touch. You are absolutely on the right track when you get out in your factory.

One thing I have deplored more than anything else in my present duties is the fact that I have been obliged to act through others, for the sake of discipline and for the sake of organization; I cannot get in as close personal touch as I would like. If I go to a branch house, it would absolutely upset discipline if I were to undertake to go to one of the men there to talk with him about his conditions, about how he feels about his work; then the manager would not amount to anything. I feel that so keenly that when I left St. Louis, where I was manager, and appointed a manager to take my place there, while I have a great many friends in St. Louis and naturally would wish to return frequently, if only to play golf, I did not return frequently; for two years I did not go to the office, but I had the manager come to the club and I conversed there with him, because I wanted in fairness to him, to get away from that organization, everyone of whom I had hired. It is a great deprivation, and the man is fortunate who can get into personal touch. The best I can do is to tell the other fellow what he ought to do when he is not in personal touch.

Mr. Anderson: It is a pretty good fellow who can get a request from the factory for the thing he wants, rather than for the thing he does not want. That means, in other words, that if you know the thoughts that are diametrically opposed to your own in the factory, whether union or not, the thing to do is to have a channel open that brings a request from the manager to do the thing you want them to do when, as a matter of fact, they might ask for something entirely different.

President Pank: Very true.

Mr. Anderson: I really think that I have been successful in some such instances.

President Pank: I think there is a difference in handling. I think we have a different situation and a different class to work with in the sales organization than in the factory.

Mr. Anderson: Oh, yes.

President Pank: That is why I say that I do not feel competent to say anything on the factory side.

Mr. Newton: I might add that we have in our pension plan pretty much the same arrangement as you, although we do not have an examination, and we have 2 percent. a year for each year's service; but we limit it up to 37-1/2 years; in other words, one can get only 75 percent. of the average annual earnings for the last ten years. We do not limit the amount we earn.

President Pank: One of the first men who came under the rulings of our pension system was a man who had served 49 and a fraction years. One of our vice-presidents, and the chairman of our Board, asked that as a special favor to him, (to the chairman), we waive the application of the pension rule in that man's case, until he should have completed his 50th year. He thought i it would be a very nice thing to have him complete his 50th year. The 2 percent. rule made a $4,000. pension for him, but he had to have 19 percent. deducted, which left him 81%, making the actual pension about $3100.

Mr. Anderson: The maximum amount of money an employe can draw would be ultimately $4,000.00.

President Pank: That is per year. That pension continues through his life, and at his death one-half the pension continues to his widow, so long as she remains a widow.

COMPRESSED AIR SOCIETY MEETING

September 26, 1919

oOo

After the Secretary had presented the data he had collected, substantially as recorded in the minutes of The Hydraulic Society meeting, and as shown on pages 1-H to 26-H herewith, the following discussion took place:

Mr. Jones: Would it be possible, Mr. Rohrbach, for you to reduce those letters, without too much labor, into a schedule which could be written up and sent to us?

The Secretary: Yes, Mr. Jones; it is just a question of whether to copy each letter or to give a digest, or summary of it.

Mr. Jones: I think we have all got this proposition before us. Most of us have to put these various schemes up to our Executive Board, or to the people who are going to take the final action, and they like to see what other people are doing; and it seems to me that the more information of that sort we can get, the more it will help us.

Mr. Albin: Our President has had one of his men gathering that kind of information for a year.

The Secretary: How would it do to insert in the record the names of the concerns from whom replies have been received, then the letters could be copied in the record without identifying them with the names of any particular company?

Mr. Jones: I think that is very good.

Mr. Albin: Send us whatever data you have.

The Secretary: The concerns who have written me are very much interested in the subject.

Mr. Wall: You would be doing a good thing in distributing that information.

STOCK OWNERSHIP BY EMPLOYES

Mr. Reynolds: Is the Underwood stock actually issued to the employes?

The Secretary: The stock is actually issued to them, and

as an inducement for the employes to hold the stock, the Company gave an extra dividend for the first two years equal to the regular dividend to all men who still were holding their stock. They also have a rule prohibiting a man from selling his stock without the consent of the trustees under a penalty of not sharing in the distribution for the succeeding year, or for the current year.

Mr. Reynolds: Those are all important points.

Mr. Jones: That stock probably has to be bought on the market, because very few companies would carry unissued stock in the quantities that would be needed under such a plan.

Mr. Copeland: I was reading, last night, an article by George W. Perkins on the desirability of a stock issue to employes as against a bonus.

Mr. Jones: Our people had to go out and buy on the market the stock that they have distributed.

The Secretary: The advantage of distributing profits in the form of stock is that in times like these a Company is sometimes pretty well tied up on resources, and can probably use the money in the business that is represented by the profits and, therefore, they are building up a reserve by capitalizing the profits instead of making a cash distribution.

Mr. Albin: They are also building up a dividend liability.

Mr. Copeland: After the dividend has been paid, there is a certain amount of surplus turned into stock, and if this remains in the business it gives them a continuing interest.

Mr. Albin: We practically followed Perkin's scheme of stock distribution. In the office or management class the stock was kept, except in cases where a man severed his connection with the company, but the rank and file of the shop employes acted very differently. A very large percentage of those people turned their stock back and never completed their payments.

Mr. Reynolds: They always will do that. They do not want to be partners.

Mr. Copeland: We sold our stock to our employes at par, and our only provision has been that anyone who sold the stock would never get an opportunity to subscribe again, and practically nobody has let his stock go.

Mr. Reynolds: Has anybody found that a workingman wants stock; that he considers it of value?

Mr. Copeland: We have.

Mr. Reynolds: My impression is that he wants his dividends in cash every week.

Mr. Jones: Have you not got, Mr. Copeland, up in your factory at Claremont a little different element than the most of us have in our factories that are in or near big cities? Haven't you an element that is born and raised there largely and who are a little more inclined toward thrift and investing their savings?

Mr. Copeland: We have just had a surprising experience. We have not analyzed it yet. At the last offering we had relatively more subscribers among our Chicago employes than we did among our Claremont employes.

Mr. Albin: It worked the other way with us.

Mr. Copeland: I expected it to work the other way and cannot account for it yet. We have had to limit the men to five shares each -- the offer was so largely oversubscribed that we limited them to five shares. If anybody wants to pay for it on the twenty-payment plan we let them do so, paying them interest. I cannot help but think that all these things are intangible. You cannot tell until a crisis comes, but I am optomistic enough to think it helps.

Mr. Reynolds: The trouble is that the men do not want to share in your losses if any should develop. If you were sure that you were always going to pay dividends, that would be all right, but you have lean years and capacity years. The lean years usually predominate, and the workingman is not willing to share that loss and if the stock falls in value or does not pay dividends, he thinks he has been buncoed. He wants his dividends paid and he mistrusts your bookkeeping and everything else.

The Secretary: A study of the pamphlet that the Government has issued, in which they investigated a number of cases, seems to indicate that that is the general result of stock-ownership schemes and bonuses; that they are a failure as far as the shop element is concerned.

Mr. Copeland: I think that is where we have to eliminate them.

The Secretary: The Proctor & Gamble Company of Cincinnati are about the most successful in that respect of any concern I know. They have a very liberal stock ownership plan that has been in successful operation for many years, but most concerns as a rule, do not find it a success in the plant.

Mr. Jones: With respect to the Larkin plan, I should feel in that case that if an employe paid any real money for that stock, he was buying a highly speculative stock for good dollars. If it is given to him, it is a different proposition.

The Secretary: It is given to him as a stock dividend now and then hereafter a share of the profits will be given apparently out of the treasury stock.

Mr. Reynolds: Just like any other stock dividend; after it is issued it shares in the profits.

Mr. Jones: But this stock seems to have little or no basis in its assets.

Mr. Reynolds: But it is the same kind of stock, is it not?

Mr. Jones: No. They issued the Preferred Stock for substantially the total valuation of the plant.

Mr. Reynolds: I see. This is common stock that is distributed.

Mr. Jones: Yes, and it participates only in the success of the company. It has no assets behind it.

BONUSES

Mr. Jones: What has been the experience of the members with respect to bonuses?

Mr. Reynolds: Our Company, along with practically every concern in Milwaukee, established a bonus system during the war, and which we abolished about thirty days ago, to get rid of a lot of bookkeeping that it involved, and added the amount to the regular rates of pay.

The plan as it was originated gave a ten percent. bonus upon completion of a year's service. This was paid in part each quarter and an employe who did not remain a full year lost a part of his bonus. It did not help much, however, in reducing the labor turnover.

Mr. Jones: Our Company's experience was practically the same. It is my opinion that the only thing that the men in the shops really look at is the weekly pay envelope, and I know that bonuses are being dropped in a great many cases.

Mr. Reynolds: The bonus was established to help meet the high cost of living and as that seems to be practically a permanent condition, our Company decided that it might as well be put into the salaries.

Mr. Copeland: Our Company tried out a bonus plan in the shops but gave it up. Newmen who came in didn't care about it because they didn't know if they would stay.

We still have a modified form of the system in effect, by which a bonus is given at the end of the year to anyone who has put in special efforts. A certain lump sum is voted for this purpose, the distribution of which is in my hands, and no one else knows the basis upon which it is made.

Mr. Reynolds: Our Company has a limited profit sharing plan in effect, the amount of which varies according to the Company's dividend rate. The division is made among certain employes in the offices and shops upon whom really depends the ability of the Company to make a profit. It is called our Class "B" Fund and has amounted to approximately 14% of the salaries paid the participants.

Mr. Jones: We are all up against the proposition of taking care of the salaried employes in some form or other and I believe the solution is some scheme by which they will share in the profits, although not on a fixed basis.

Mr. Reynolds: In the past, we were always able to get a lot of the young fellows out of the shop into the office---but we cannot get them to come now. They get twice as much money in the shop.

Mr. Jones: The rates have gone up faster there than in the more desirable salaried positions. Of course, the answer to this whole situation is in the future. I cannot but believe that we are going to drift into a time when there has got to be some change. How it is going to come about, I cannot tell; but we all know that our success in this country is largely wrapped up in the export business. We have got away beyond the point where we can absorb all we produce. We have got to ship in the neighborhood of about three billion dollars worth of material abroad yearly. Well now, we are not going to ship any three billions with the prices we are having to get now, as soon as the countries abroad can resume productions, and they are resuming very rapidly. I think Germany will be underway very shortly. These things you read in the papers about her disorganization are all fakes. I have reports from Germany that her industries are running very smoothly. It looks like the moment we have fully supplied the demand in this country as, though we were going to come up pretty suddenly against a condition that it is going to be hard for us to solve.

Mr. Copeland: But we have got to pay these people enough to live on and give them a chance to save some money.

Mr. Jones: Don't you think we are going to approach one or two years in which the manufacturer has got to be satisfied with very poor returns? We are not going to be able,as I see it, to decrease the wages first. That is going to be the last thing . Do not decrease the wages first. We have got to meet competition abroad. We have got to meet it if we want to get rid of our surplus, and if we do not get rid of our surplus we are go-

ing to run our factories at seventy per cent, therefore profits cannot be maintained as at present.

Of course, we have not approached that yet, but we are approaching it rapidly.

Mr. Reynolds: When you say "rapidly", what do you mean?

Mr. Jones: Probably in 1920.

PENSIONS

Mr. Pressinger: Have any of the members any plan for pensions for employes who grow old in the service?

Mr. Copeland: We have a definite pension plan. We have had it since 1914.

Mr. Pressinger: You retire the men when their usefulness is ended?

Mr. Copeland: We give them an option of lengthening their service or retiring. That is another one of those intangible things. We carry the whole expense. We also carry our own accident insurance.

Mr. Reynolds: It strikes me that a pension system is really more valuable than profit-sharing, as it relieves the anxiety of the older men very much.

Mr. Jones: It appeals to a man after he becomes fearful that he has passed a point where his services can be easily displaced; but until he reaches that point, I do not think it cuts much figure.

Mr. Reynolds: No, it does not at all until that period is reached.

Mr. Pressinger: It gives them an assurance that they will be taken care of in their old age.

Mr. Copeland: With us we fix a definite payment, a certain percentage of their salary for a certain period of time; so you do not have to question in your own mind as to what pension you should pay.

Mr. Wall: With the Fairbanks-Morse Company, after a man reaches the age of 60 he can voluntarily retire.

Mr. Copeland: We have a voluntary system,too.

Mr. Wall: Do the employes contribute to it?

Mr. Copeland: No.

Mr. Wall: At the Fairbanks-Morse Co. the salaried workers do and the wage workers do not contribute.

Mr. Copeland: We patterned ours after the American Telephone and Western Electric Companies plans, modified to suit our conditions.

Mr. Albin: The Fairbanks-Morse Co. puts in dollar for dollar---whatever the employe pays in, they put in an equal amount.

Mr. Pressinger: The employes remain with you because they cannot withdraw what they have put in.

Mr. Reynolds: I think the law would give them that.

Mr. Jones: They would only be withdrawing one-half the funds, if the employes pay in half and the company puts in half. The Insurance Laws would give them that.

Mr. Wall: Three percent. per annum on four thousand dollars is the highest any man would pay with the Fairbanks-Morse Co.

Mr. Copeland: We carry our own accident insurance.

Mr. Wall: Do you carry any group insurance?

Mr. Copeland: No, but we carry our own accident insurance, and the accident companies tell us, now and then, what an awful risk we are taking; but it is very much cheaper and we have the privilege of settling with our own men. With the old insurance schemes you usually have a fight and they pay as little as they can. On the whole it works out very well.

Mr. Jones: You always felt they did an injustice and you were paying for it.

Mr. Copeland: Yes, and it made it very hard for one of our superintendents to collect evidence for the insurance company, to enable them to beat the man. That is the way the thing worked out.

The Chairman: Does that complete everything you have to present on this subject, Mr. Secretary?

The Secretary: Yes.

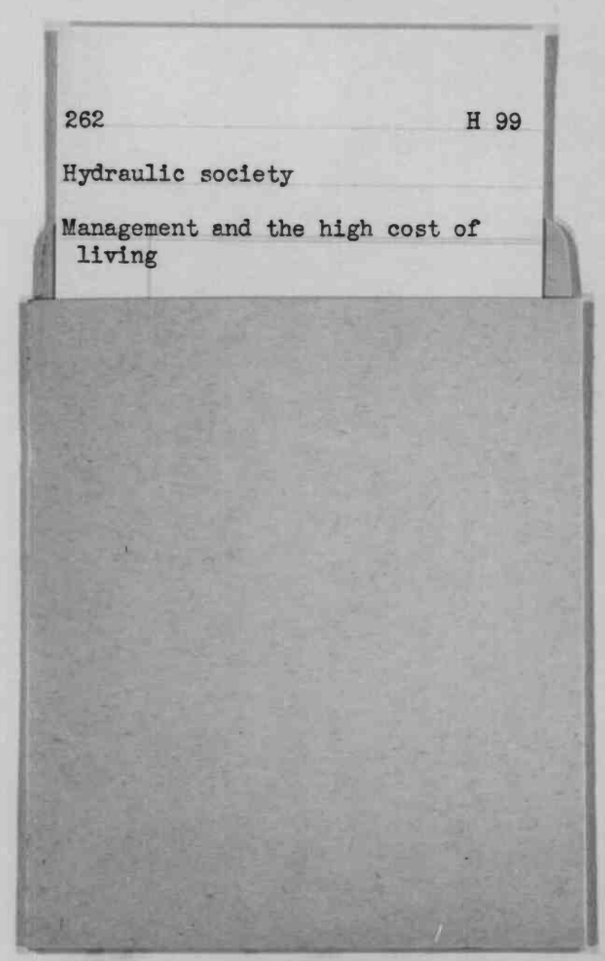
The Chairman: Well, I think I speak for lall of us when I say that Mr. Rohrbach has uncovered a vast amount of valuable information. He will present summaries of it and give us something to think over and digest at our leisure. That is the plan as I understand it.

UNIVERSITY LIBRARY

MSH 01367

NEH APR 15 1994

COLUMBIA UNIVERSITY LIBRARIES
0044261764



OCT 31 1939

END OF
TITLE